

# CURRENT HISTORY

JANUARY 1933

---

## If Beer Returns

---

By LOUIS M. HACKER

---

[Mr. Hacker, a member of the editorial staff of the *Encyclopaedia of the Social Sciences*, is co-author of *The United States Since 1865*. He contributed to *CURRENT HISTORY* for September, 1932, an article entitled "The Rise and Fall of Prohibition."]

THE unhappy effects of excessive drinking, temporarily at any rate, on human mental processes are well known; it is one of the ironies of the history of prohibition that otherwise solid and intelligent persons have quickly succumbed to the same heady influences when engaged merely in talking about drinking. If at this late date a scientific refutation of the tall claims made by the dries during 1913-17 is still needed—that the outlawing of drink was to make the American people forever sober, speed up the processes of industry, improve public health and release the worker's dollar for the purchase of new consumption goods—then the interested reader is referred to Dr. Clark Warburton's competent study *The Economics of Prohibition* (New York: Columbia University Press, 1932). Dr. Warburton in a single preliminary sentence, that is at the same time a model of

scholarly understatement, disposes of the whole matter when he says: "With the collapse in late 1929 and early 1930 of the 'new economic era' most of the arguments, \* \* \* especially those relating to the effect of prohibition upon prosperity, have become obsolete."

If the dries today are chewing the cud of reflection, the ranks of the talkative have by no means been thinned. The wets have filled them out, volubly promising as much if not more by the repeal of prohibition as their foes, a brief decade and a half ago, had promised for its inauguration. In this article we shall concern ourselves only with the results of the imminent legalization of beer, for the repeal of the Eighteenth Amendment is, it must be apparent, less likely to be accomplished without a determined fight on the part of the dries. Although it is impossible to contemplate the repeal of the Eighteenth Amendment within the very near future, the legalization of beer is so assured that one can hardly claim boldness for the prognostication.

What is the wet position on the eve

Copyright, 1933, by The New York Times Company. All rights reserved.

of the modification of the Volstead act and the return of beer? Wets are making the following brave assertions: First, that the legalization of beer will start the wheels of a great industry going once again; second, that it will afford new opportunities for employment for a vast army of men; third, that it will aid in agriculture's revival; fourth, that it will help fill the already emptied coffers of the national government and that if it will not balance the budget at least it will make a substantial contribution toward meeting a deficit which may be \$2,000,000,000 by June 30, 1933; fifth, that it will go far toward helping our public authorities cope with the problem of organized crime. The press in the closing weeks of 1932 was so full of contentions of this sort that it is hardly necessary to cite specific examples. A dispassionate examination of these claims, however, is in order, for undoubtedly countless persons have come to believe them, if not with the same pitch of enthusiasm, certainly with some hope that the return of beer will improve the present economic and fiscal situation.

Assuming then that sooner or later Congress will legalize the manufacture, sale and transportation of beer with an alcoholic content of from 2.75 to 4 per cent by volume, two questions still require answer: What will be the dispensing agencies? And where may the beverage be sold?

Both political parties—echoing the sentiment of all reasonable persons—agree that the abolition of the saloon was a laudable achievement and there is no possible hope for its revival; indeed any measure passed during the present short session of Congress which does not explicitly outlaw the saloon is bound to receive President Hoover's veto. Therefore the average American who in pre-prohibition days usually got his drink at the conveniently located "poor man's club"—either at the open bar or else in a container for off-premise consumption—will have to resort to other

agencies, to restaurants and eating places generally, where he will have to buy a meal at the same time, or to the breweries for bottled beer to be drunk in the home. The comparatively few persons who frequent hotels or belong to clubs may obtain their glasses of beer with a little less difficulty. Perhaps in time, and for the service of the working population, we shall see the legal establishment of beer parlors or taverns of the sort now existing in the Canadian Provinces of Alberta, British Columbia, Manitoba and Quebec. In the near future, however, beer will not be so easy to obtain, and because a large retail business in draught beer, as existed when the saloon was the chief dispensary, will not be possible, both bulk consumption and price are likely to be affected.

It is also important to remember that the area of sale is definitely restricted. The amendment of the Volstead act will not automatically modify or repeal State enforcement laws, whose definitions of an intoxicating beverage are in many instances even more extreme than the one-half of 1 per cent fixed by Federal statute. But fifteen States to date have repealed their enforcement laws; these together in 1930 had a population of 43,370,000 or 35.3 per cent of the population of the continental United States. Such is the wet area where legalized beer will be sold freely. In the remaining thirty-three States, accounting for 64.7 per cent of the country's people, it will be possible to check the open operation of local breweries by appeal to the State courts and the shipment of beer across State lines from wet areas by appeal to the Federal courts. The Webb-Kenyon law of 1913 and the Reed amendment of 1917 are still on the statute books, and their existence tends to throw a high wall of protective Federal law around the dry areas. This state of affairs must be clearly understood before it is possible to estimate the economic and fiscal effects of the return of beer.



In 1914 the march of the dry States began and by the end of 1916 prohibition existed in twenty-three American Commonwealths. Actually, however, only twelve were bone dry because the laws in the other eleven States, while they prohibited the manufacture and sale of alcoholic beverages, did allow home brewing and wine making, or permitted importation for personal use or both. The importation allowance in the case of beer was generous—usually five gallons every fifteen days. The Federal Webb-Kenyon law merely prohibited shipments into the dry States of liquor which was “in violation” of State codes; in brief, it could not check importation into presumably dry areas where such importation for personal use was not unlawful. Thus, at the end of 1916 the wet area, certainly as far as beer for home consumption was concerned, consisted of thirty-six States with an estimated population of 87,399,000, that is, 86.2 per cent of the country's total.

The Reed amendment of 1917 drastically changed the situation. This Federal enactment outlawed all liquor shipments in interstate commerce into dry States, whether or not the local statutes had permitted importation for home use.

The Supreme Court, in commenting on the statute (actually a rider to the Postoffice Appropriation act of March 3, 1917), pointed out: “In the passage of the Reed amendment it was intended to take another step in legislation under the authority of the commerce clause. \* \* \* The order, purchase or transportation in interstate commerce, save for certain excepted purposes, is forbidden. The exceptions are specific and are those for scientific, sacramental, medicinal or mechanical purposes.” \* \* \* And later on in the same decision: “That the State saw fit to permit the introduction of liquor for personal use in limited quantity in no wise interferes with the authority of Congress \* \* \* to make the prohibition against inter-

state shipment contained in this act.”

As a result of this, in 1919, shortly before the inauguration of nation-wide prohibition, the wet area comprised those fifteen States not having dry laws on their statute books, and these, according to the 1920 census, had a population of 50,275,000, that is, only 47.6 per cent of the nation's total. The distinction between the status of prohibition in 1916 and in 1919 is important and must be borne in mind when we seek to estimate the probable beer consumption and the total Federal revenues to be realized from beer in 1933. It can be seen at once that the 1933 situation more nearly approximates that of 1919, when the wet area was definitely fixed and when the excise on beer was more nearly like the rate proposed today.

With the legalization of the liquor industries, and more particularly with the return of beer, what may we expect as far as a general economic improvement is concerned? The comparative economic unimportance of the liquor industries in the period before prohibition has apparently been forgotten. According to the 1914 census of manufactures there were in all but 2,099 establishments making distilled, malted and vinous beverages in the United States, or less than 1 per cent of all industrial plants. Of the 2,099, breweries accounted for 1,250 and malting works for 97. In terms of capitalization the liquor industries presented a somewhat better ratio—the value of plants, equipment and the like being \$962,482,000, or 4.2 per cent of the total industrial capitalization. The brewery properties were valued at \$792,914,000; the malting work properties at \$46,767,000.

How many persons were employed in the liquor industries at the heyday of their careers? In all, to be exact, 88,232 persons, of whom 72,646 were wage earners and 15,586 were salaried employes. This group of less than 90,000 people represented not more than 1 per cent of the nation's industrial population! To round out the

picture completely, though the figures have no significance as far as the immediate problem is concerned, there were also, according to the 1910 census, 68,000 saloonkeepers and 101,000 bartenders in the United States. Thus the direct total wage and salary earning population dependent upon the liquor industries was never more than 300,000. An industry—speaking of brewing and malting alone—having not much more than \$850,000,000 capital value and employing about 80,000 persons cannot be regarded as a major economic enterprise.

Even if we are to put the most cheerful face on the matter, being thankful for slight opportunities for industrial expansion, we must recognize that a brewing industry, both in its legal and illegal aspects, already exists. The Federal Prohibition Bureau itself has estimated that the illicit liquor trades are now employing more than 1,000,000 persons and utilizing capital of about \$2,000,000,000. These figures are not unreasonable in the light of the economic nature of the business. Being illegal, it must necessarily operate in small units instead of effecting the economies that would be possible by large-scale production and distribution. Besides, a large private policing force—gangsters—is necessary to assure the industry some measure of stability. It is to be questioned whether the return of beer will completely eliminate the illegal, wildcat and alley breweries from the scene: their operators have become skilled entrepreneurs and they have too large an economic stake in brewing to allow them to quit voluntarily. Moreover, they will receive encouragement from dishonest dispensers if the tax on beer is high enough to make cheating worth while.

In the second place, the legal breweries are still with us, because some brewers have accepted the mandate of the Volstead act and proceeded to content themselves with the manufacture of near beer. Actually these operators have been producing real beer all the

time, merely de-alcoholizing their beverage to make it fit the legal requirement of one-half of 1 per cent. To turn out beer with an alcoholic content of from 2.75 to 4 per cent would, if anything, simplify the industrial processes. The fact is, in New York City alone there are at present in operation fourteen legal plants which probably with a slight expenditure of capital for improvements and payroll additions would be in a position to furnish all the real beer required by the metropolitan area, if not for a much larger zone. Undoubtedly a certain amount of money will be spent in capital outlays, for the refurnishing of plants, the expansion of bottling departments and the acquisition of motor trucks. But brewers are more likely than not to go slow until they are in a position more accurately to gauge the size of the demand and the nature of the competition they are to meet from illicit operators.

Brewers have optimistically declared that with the return of beer new capital expenditures will be in the neighborhood of \$200,000,000 and there will be jobs for at least 1,250,000 persons. This latter estimate, of course, includes not only opportunities for employment in brewing and malting directly but also in allied activities like cooperage works, machine shops, glass-making plants and transportation. In the light of the facts that from 1909 to 1914—when brewing was undergoing a decided transformation as the result of the introduction of mechanization and chemical control—capital expansion increased only a little more than \$100,000,000 and the number of jobs increased less than 20,000, there is room for considerable skepticism. And whether or not other industries will profit from beer's return will depend upon the brewers' willingness to spend money with a lavish hand. The present indications are against it.

The picture further loses some of its roseate tints when we realize that other industries will be adversely af-

fected. Since prohibition a large and thriving beverage industry has sprung up; also, in the same period, the consumption of milk has greatly increased. Americans in recent years have acquired new—soft and hard—drinking habits. If they are persuaded to go back to the old table beverage of beer the manufacturers and processors of carbonated and fruit beverages and fresh fruit juices, and the dairy industry as well, are going to suffer severe losses. We are indebted to Dr. Warburton's ingenious calculations for an idea of the marked changes that have taken place in American soft-drinking habits since 1914. He estimates that between 1914 and 1930 the nation's per capita consumption of coffee has increased from 10.14 to 12.80 pounds, of bottled carbonated beverages from 1.7 to 6.6 gallons, of Coca-Cola from .07 to .23 gallons and of milk—in the New York metropolitan area—from 34.1 to 49.3 gallons.

Finally, we must not lose sight of the fact that the present illicit liquor traffic in every sense conforms to the definition of an economic enterprise: it utilizes capital for plant and equipment, hires labor, buys raw materials, processes them into finished goods and operates distributing agencies. If anything, in a period like the present, it is more desirable economically than legitimate business because of its quick consumption of capital goods—due to seizures by law enforcement authorities of stills, breweries, trucks, boats and the like—and its high labor costs. The fireman tending the fires of a wildcat brewery, the driver of a truck hauling illegal beer, the armed thug guarding him against possible attack by hijackers, the barkeeper of a well-patronized roadhouse; these are workingmen, honest or not is beside the point, who perform services and receive wages. Just as their employers are entrepreneurs. For do they not operate plants and even borrow capital from reputable banks to finance and improve their businesses? The better the legitimate brewers will

gain mastery over the situation—using capital and giving jobs to men—the more certain they will be to throw other men out of jobs and close up old opportunities for investment and profit. At the present moment it seems to be six of one and half a dozen of the other as far as the total gain to economic society is concerned.

In the case of agriculture, too, it has been impossible to present a simple statement, for farmers have both lost and profited from prohibition. Dr. Warburton puts the estimated annual loss to farmers, on account of the reduced demands of breweries particularly, as follows:

Barley: 38,000,000 bushels @ 57c per bushel.....	\$21,660,000
Hops: 29,000,000 lb. @ 18c per lb. ....	5,220,000
Rice: 140,000,000 lb. @ 2.1c per lb. ....	2,940,000
Corn and corn products: 9,000,000 bushels @ 75c per bushel.....	6,750,000
Sugar and sugar products: More than offset by increased use for beverage spirits .....	
Total.....	\$36,570,000

The corn growers who formerly sold to distillers lost a market of from 17,000,000 to 24,000,000 bushels of their grain annually; but the corn growers who came in the decade of the 1920s to sell to corn-sugar manufacturers or who learned to operate stills themselves, found a market for about 20,000,000 bushels. The rye growers were not compelled to contract acreage, nor has there been a decline in the quantity of molasses produced. It is true that, because of the falling off of brewing during prohibition, there was a loss suffered by the producers of the farm articles entering into the making of beer, namely, barley, hops, rice, corn and corn products, and sugar and sugar products. On the other hand, milk drinking, both plain and in coffee, grew enormously, so much so that increased consumption of milk since 1914 has accounted for an average annual gain of about \$240,000,000 for the country's dairy farmers. Dr. Warburton appears entirely reasonable when he

says: "If only a fourth of this unusual increase in the use of milk is to be attributed to prohibition, the gain to the dairy farmers more than balances the loss to the grain and hop growers."

Granted the return of beer on the basis of the per capita consumption of 1911-14, the total net profit to agriculture will be not much more than \$36,000,000, while if the drinking of milk should be adversely affected by not more than one and one-half gallons per capita the whole gain disappears. Certainly the economic effects of the return of beer do not seem to promise too cheering a prospect.

What may we expect on the fiscal side? Let us first see what the consumption of alcoholic beverages has been in the various years of which we have been speaking, that is to say, during 1911-14, before the intensive drive for nation-wide prohibition had been commenced, in 1917 when the area of sale still contained 86.2 per cent of the population, and in 1919 when a definitely contracted wet area held no more than 47.6 per cent of the country's total population. The following table presents the figures in summary form:

	Annual Aver. Fiscal Years	(Fiscal Years— 1917	1919
Distilled spirits			
(1,000 proof gal.)	142,319	167,740	82,118
Per capita (gal.)	1.47	1.62	.77
Wine (1,000 gal.)	57,007	42,723	54,273
Per capita (gal.)	.59	.41	.51
Beer (1,000,000 gal.)	1,996	1,885	853
Per capita (gal.)	20.53	18.17	8.00

It will be noted that in the brief space of two years, from 1917 to 1919, the consumption of legally withdrawn alcoholic beverages, particularly spirits and beer, fell off markedly. The causes for the decline are not far to seek. They were, first, the constriction of the wet area to fifteen States by 1919; second, the absence of a considerable part of the country's drinking population overseas and in the cantonments; third, the patriotic campaign against the waste of cereals; fourth, the great increase in liquor tax rates,

and fifth, an increase in moonshining and bootlegging in order to escape the payment of the excises.

From 1894 to 1917 the internal revenue tax on spirits had been \$1.10 per gallon; during 1917-19 the tax was \$3.20 and for part of 1919 it was \$6.40. From 1902 to 1917 the tax on beer was \$1.50 per barrel; during 1917-19 it was \$3 and for part of 1919 it was \$6. A wine tax did not make its appearance until 1916; then vinous beverages with alcoholic contents up to 14 per cent were taxed 4 cents a gallon, those with contents between 14 and 21 per cent were taxed 10 cents and those with contents between 21 and 24 per cent were taxed 25 cents. During 1917-19 these rates were all doubled and late in 1919 they were doubled once more. How much in revenue did these excises bring in? The following table presents the figures for the fiscal years 1911-14, 1917 and 1919:

	(Figures in millions of dollars) Annual Aver. Fiscal Years	(Fiscal Years— 1917	1919
Total	223.9	284.0	483.1
Internal revenues from distilled spir- its	158.7	192.1	365.2
Internal revenues from fermented liquors	65.5	91.9	117.8
Customs	17.9	13.4	2.5

The insignificance of the customs receipts may surprise those persons, like A. Mitchell Palmer, who have come to believe that American importations of foreign liquors have played a prominent part in our balances of international payments. The figures for value of liquor imports are even less encouraging. Out of an average annual value of imports of \$1,733,000,000 for the calendar years of 1911-14, liquor imports totaled in all but \$18,996,000, or 1.4 per cent; beer imports totaled \$3,073,000, or 0.2 per cent. The record of the calendar year 1917 was even smaller: Total value of all imports was \$2,952,000,000; total value of liquor imports was \$17,791,000, or 0.6 per cent; total value of beer imports was \$1,125,000. German brewers



were not wanting in a firm grasp of realities when they predicted that the only economic change the return of beer would bring them would be the slight movement to America of skilled Bavarian brewmasters.

The revenue from beer taxes is not only disappointingly small but also shows decidedly uneven returns over the period 1911-19. To what years shall we look for guidance in estimating beer consumption in 1933 and therefore the total of probable revenues to be derived from this source? Let us first assume that the new tax on beer will be the figure fixed in the O'Connor-Hull bill of the last session, which, incidentally, is the one favored by Chairman Collier of the House Ways and Means Committee, namely, \$7.50 a barrel of thirty-one gallons, or 3 cents a pint. This will make the retail cost of a seidel of twelve ounces at least 10 cents and the cost of a pint bottle, when bought in two-dozen-bottle cases, at least 8 cents.

Both these prices are high for what will not be much more than a soft drink and, after the original enthusiasm over beer's return has spent itself, cost undoubtedly will have a serious effect on consumption. So will the facts of restricted areas of sale and the elimination of the saloon. So will the continuance of the depression. There are two other factors requiring even more serious consideration. These are that American liquor drinking habits have changed and that a powerful illicit industry already exists to dispute the field with those brewers who are prepared to pay the high beer excise. Both of these are fruits of the prohibition era, and whether we like it or not we shall continue to garner them for a long time to come. Prohibition made the United States, more so than ever before, a hard-liquor-drinking country; the comparative ease and cheapness with which illicit stills could be operated was largely responsible. The following table shows how America's drinking habits changed under prohibition. The

first column indicates what would have been the annual consumption of alcoholic beverages over 1927-30, based on the per capita consumption of 1911-14, had prohibition never existed; the second column indicates the quantities of alcoholic beverages apparently drunk as a result of prohibition. The estimates of drinking during the prohibition period are those of Dr. Warburton.

	Spirits	Wine	Beer
*Probable annual consumption in 1927-30 without prohibition....	177	71	2,466
*Actual estimated annual consumption in 1927-30 under prohibition.....	195	118	759
†Per capita annual consumption in 1927-30...	1.62	.98	6.27
*In 1,000,000 gallons. †In gallons.			

Unquestionably the low per capita consumption of beer during the prohibition era has been due to the difficulty of obtaining the beverage, and with its legalization there will naturally be an increase in beer drinking. But this does not necessarily imply that taxed beer will be drunk. The illicit beer industry is too well organized and has too large a capital stake in its operations to quit the scene without a struggle. It will seek to continue its control over the illicit dispensing agencies—the speakeasies, blind pigs, roadhouses and night clubs—either by force or by underselling legitimate breweries. It probably will succeed in prevailing upon many eating places to purchase the illegal “rank” beer, tax free and therefore cheap, to be mixed with legal beer, thus giving the retail handlers a higher profit than they could normally expect. And if Congress fixes the alcoholic content of beer at too low a figure there still will be room for a stronger beverage, which the illicit traffic will supply.

A high tax on beer therefore—and 3 cents a pint is a high tax—must inevitably cut into consumption by discouraging the normal beer drinker, who simply cannot pay the price, by compelling resort to illicit strong drink, which will be cheaper—indeed is already—in order to meet the com-

petition of the legal beverage and by furnishing a continued incentive to moonshining, bootlegging and smuggling. These have inevitably been the concomitants of excise taxes that verge on the prohibitive or systems of liquor control that surround drinking with too many restrictions. In the United Kingdom and Denmark, for example, high taxation during the post-war decade has resulted in a decided falling off of consumption; in Switzerland moonshining has never been checked, because governmental regulations have been too severe; in the Baltic and Scandinavian countries smuggling and illicit distilling continue to flourish despite governmental efforts to furnish liquor more or less freely and at what seems, offhand, reasonable prices.

Nations, by experimenting with liquor control without a proper regard for the natural habits of men, sowed the wind and are now reaping the whirlwind. They have engendered a spirit of lawlessness on the part of populations and furnished the economic motivation for the appearance and continuance of a lawless class. That Americans will quickly slough off the attitudes and traits acquired during the past decade and revert easily to earlier habits, that they will stop drinking spirits, resent and rise up against the illicit liquor traffic, that they will be entirely satisfied for their alcoholic stimulation with a brewed beverage that is weak in content, highly taxed and relatively difficult to obtain—these miraculous changes are too much to expect.

Such are some of the imponderables that must be considered in estimating

the probable consumption of beer for tax purposes. In view of the difficulties they present, I am inclined to believe that the annual per capita beer consumption will not for some time return to the 1911-14 level, when it was 20.53 gallons, but will be more nearly like the 1919 level, when it was eight gallons. On the basis of such a per capita annual consumption the total beer sales for tax purposes will not be 2,500,000,000 gallons but nearer 1,000,000,000. Taxed at \$7.50 a barrel and 3 cents a pint, Congress should not expect a beer excise to bring in more than \$240,000,000—indeed, \$200,000,000 would be nearer the mark. It should be remembered, too, that no real saving can be hoped for by the contraction of the activities of the Federal Prohibition Bureau and Coast Guard, for a large law-enforcement machinery must continue to exist as long as the manufacture and sale of spirits remain illegal, while additional appropriations will be needed for an amplified internal revenue office. This net figure of \$200,000,000, gained from a beer tax, can scarcely be regarded as comforting in view of a Federal deficit that was more than \$900,000,000 at the end of November, 1932, and that may be as great as \$2,000,000,000 when the fiscal year 1932-33 closes.

The quest of Congress for new revenues is not ended with the return of beer. Those business forecasters who are scanning the heavens for a sign should not be too much impressed by the luminosity of the new stellar phenomenon. If it turns only too quickly into a meteorite they will have their own enthusiasm to blame.

# The German Drift to Revolution

By RICHARD VON KUEHLMANN

[Baron von Kuehlmann, after many years in the German diplomatic service, was German Foreign Secretary from 1917 to 1918. Since the war he has become familiar to Americans through his lectures in the United States and his contributions to periodicals and newspapers.]

LIKE many other Germans I hurried home to vote on Nov. 6 in the Reichstag elections. By accident I met an old friend on the train; he also was returning from abroad. "Well, are you going home to vote?" I asked. "No," was the reply. "I feel there is not much sense in voting for this Reichstag, and, besides, there is no party I feel inclined to vote for." A good many people felt the same way, although the total number of votes cast was 35,000,000—only 2,000,000 less than in the hotly contested elections of last July. Not once but a hundred times was I asked by friends, particularly by ladies, "Now, do tell me for whom we should vote? We don't dislike the present Cabinet and find that Chancellor von Papen has a good deal of personal charm. How can we vote for him?" This frequently repeated question reveals the essential difficulty in the November election.

Neither Chancellor von Papen nor his Cabinet represented any political party. Von Papen for many years belonged to the Catholic Centre party, but when he accepted office from President von Hindenburg without consulting the leaders of the Centrists he found himself outside any political group. That fact is the source of considerable difficulty in German politics. The only possible reply to the question "How can we vote for von Papen?" was "You can only do so by voting for Hugenberg." But as this leader of the German Nationalists is

unpopular with large sections of the people, many voters decided they would either support Stresemann's all but defunct People's party or abstain from voting.

No one can understand the present situation in Germany without taking into consideration the powerful Hitler movement. Adolf Hitler has been swept into a position of prominence and influence by the wave of exuberant nationalism which followed the humiliation of defeat and the despair of the poverty-stricken post-war years. He has remarkable powers as a speaker and he does not shrink from flattering his audiences with rash promises. Aided by the Nationalist party of Alfred Hugenberg and supplied with funds from the treasure chest of wealthy industrialists, the Hitler movement has become the most powerful political force in Germany.

The Hitler, or National Socialist, movement is composed of many groups, but two are especially prominent—the Junker landowners and retired army officers, and the young, radical workers of Berlin and the Ruhr who in many ways are sympathetic to Communist ideals. But behind these two groups and the many others caught up in the Hitler movement is the sentiment of nationalism, a sentiment which burns at white heat. In part this heightened patriotism is the result of happenings in the nineteenth and early twentieth centuries; much more it springs from the crisis of the World War, and finally it is fed from the events of the years after the war.

Present German conditions are the result of the happenings since 1918. When the German people were sud-

denly faced with the terrible truth of overwhelming defeat in arms, a revolution broke out which swept away the Kaiser and the Princes and established a democratic republic in Germany. A single chamber elected by popular vote and a President with considerable power replaced the old Reichstag and the Emperor. In the federal States, particularly in Prussia, the small landowning aristocracy—the Junkers—continued to enjoy a good deal of influence and some sort of a privileged position in both the army and the civil service. But the day of privilege and class seemed to be over.

By the 1918 revolution the Social Democratic party, under the leadership of Friedrich Ebert, who became the first President of the new German Republic, secured control of the State. Representing the majority of the skilled workmen, the new régime, after having successfully overcome the Communists and Bolsheviks, showed commendable restraint and wisdom in building up the new State. Despite the blows of defeat in battle, of revolution and of inflation, the German Reich recovered sufficiently to heal many of the wounds of the war and to resume its normal economic life. But constantly in the background was the Treaty of Versailles—the embodiment of lack of wisdom and foresight—which had taken valuable provinces from Germany and imposed the unbearable burden of reparations on an exhausted and impoverished population. All these circumstances prepared the ground for the rise of an extreme nationalism, which Alfred Hugenberg and his followers furthered by long and clever agitation.

The immediate background of the present situation is the government of Chancellor Brüning, which was called to power by President von Hindenburg in October, 1931. It is said, perhaps not without foundation, that even at the time of Brüning's appointment, General Kurt von Schleicher, as chief of the Reichswehr Ministry, enjoyed considerable influ-

ence in the inner circle of President Hindenburg's advisers. It may be that those who appointed Brüning expected from him a somewhat dictatorial attitude toward Parliament and public opinion. But Brüning, by nature and conviction a moderate and cautious man, disappointed these hopes and maintained to the end the principles of parliamentary government and was always careful to have his dictatorial emergency decrees endorsed and ratified by the vote of a Reichstag majority. Personal sympathy for this great public figure, however, must not blind us. There is no doubt that Brüning's government strained the wording of the Weimar Constitution beyond the original intent of those who drafted it. Ultimately Brüning's alleged incapacity to tackle the problem of the rising Hitlerites, coupled with his sympathy for the Social Democrats who supported him throughout, brought about his downfall.

The Papen-Schleicher Cabinet which succeeded Brüning proposed to repress the Hitlerite movement by making Adolf Hitler a responsible member of the government. This policy, it was hoped, might bring the Hitler followers into line. The Cabinet, moreover, posed before the nation as a government of national concentration. Few of these hopes materialized. The aged President could not be persuaded to entrust Adolf Hitler with the supreme power in the Reich, and Hitler, warned against the pitfalls of Cabinet diplomacy, flatly refused to become Vice Chancellor under von Papen. Relations between Hitler and von Papen, none too friendly in the beginning, rapidly developed into bitter opposition.

Hitler's movement has always borne a Janus head, as is apparent in its full name—*Nationalsozialistische deutsche Arbeiter Partei*. Here two elements are evenly mixed; the words *National* and *deutsche* appeal to the nationalistic instinct of large sections of the country, while *sozial-*



*istische* and *Arbeiter* are attractive to the masses of workmen who dislike the international character of the Social Democrats. The Hitlerite successes began to cause alarm as early as the Autumn election of 1930; the elections to the Prussian Diet in the Spring of 1932 were much more striking, and in the Reichstag elections of July, 1932, the party apparently reached the height of its power when it obtained 37 per cent of all votes cast and 230 seats. Thereafter the impression was general that its fortunes were ebbing, a sentiment confirmed by the election of Nov. 6, when the Hitlerites, or Nazis, lost more than 2,000,000 votes. Where did these votes go? A large number of the more advanced workmen have returned to communism—the Communists gained 800,000 votes and twelve seats. Other voters returned to the party from which they originally came, to Hugenberg's Nationalists. This explains in the main why Communists and Nationalists gained what Hitler lost. Competent observers believe that the Nazi movement is likely to lose even more heavily in the future.

The roots of the Nazi movement are to be found in the nationalistic reaction against the humiliation and extortions of an unwise peace and the economic suffering of a nation with more than 5,000,000 unemployed. The wise arrangements of the Lausanne Conference last Summer put an end to one of the principal sources of discontent and agitation—the oppressive reparation payments. Although negotiations for disarmament bristle with difficulties, statesmen who are able to watch events from close quarters are by no means pessimistic about the ultimate result. France has been, particularly on the disarmament question, the great stumbling-block, but since the Spring election of 1932 the new French Chamber seems less inclined to be as unbending as have been its predecessors. With reparations and armaments out of the way,

two important issues from which nationalistic Hitlerism drew its strength will disappear.

One of Adolf Hitler's favorite arguments has been that the only choice left to Germany was whether to become Nazi or Communist. Outwardly, the two parties have been bitter enemies and, after the von Papen Cabinet granted permission to wear party uniforms and party emblems, street fights between Nazis and Communists filled the columns of the German press. Those who know the inner thoughts of the rulers in Moscow, however, have always been aware that the official Soviet policy was not to oppose the growth of Hitlerism. I have seen copies of letters in which prominent Russians defended this policy, alleging that the Nazi movement, sooner or later, was bound to break up. In that case, it was estimated that 60 to 70 per cent of the present Hitler following would automatically swell the Communist ranks. Recent developments seem to show that the Russian opinion is not far from right. Though street fights continued, a good deal of sympathy seemed to exist between the Nazis and the Communists in the short-lived Reichstag elected in July. Not long ago the Nazis and Communists cooperated in complete harmony in anti-Bruening demonstrations at Bamberg in Bavaria. During the great transport strike in Berlin, which was sprung upon an unsuspecting public on the eve of the November elections, Hitlerites and Communists worked side by side, and the Hitlerites showed themselves to be even more radical than the followers of Moscow.

Chancellor von Papen's effort to make national concentration a reality has faced great obstacles. While President von Hindenburg permitted negotiations with the leaders of the Centre, the Bavarian People's party, Alfred Hugenberg's Nationalists and the Hitlerites, he gave von Papen little leeway for his movements. At first, it was planned to ask the party leaders

whether they had any alternative plan to propose by which they would be able to establish a majority in the new Reichstag, but ultimately von Papen was commissioned only to find out whether the party leaders were prepared to support him in the realization of his program.\*

The Centre party has always proclaimed that the personality of von Papen would be an obstacle to their support of the von Schleicher Cabinet, and there was no reason to expect them to be more tolerant after the November elections. As Hugenberg is credited with believing that any return to parliamentary government would be a step backward, and seems openly to favor a frankly dictatorial attitude, his support for the building up of a workable Reichstag majority could not be anticipated. Even if Hitler had been more inclined after the November elections than before to accept a Cabinet position which did not give him absolute control of the State machinery, but which assured the Nazis considerable influence in the government of the Reich, he would have faced the difficulty of persuading his radical left wing to cooperate with the Hugenberg group. We are forced, therefore, to conclude that it was impossible to expect a parliamentary majority behind the Papen-Schleicher Cabinet in the present Parliament.

If an agreement cannot be patched up between the parties, there is acute danger that a Communist vote of censure might, as in the last Reichstag, obtain a majority. The same game would then be repeated. The Reichstag would be dissolved before the vote of censure could force the government out of office, but this would be the parting of the ways. Whether a new election would be ordered or whether the Cabinet would frankly proclaim a dictatorial government cannot be foreseen. Certainly, it will be far from easy to induce the aged President to

agree to a breach of the Weimar Constitution, which he has sworn to maintain. The announcement of another election is more likely, but it would be inevitable that such an election would be considered farcical. Five great elections have taken place in Germany in 1932; if they have shown anything, they have shown that existing party lines will not be considerably altered. Should large masses of voters feel convinced that their vote is no longer the decisive factor in the State, it is to be feared that many will be driven to the conclusion that a government openly relying on force to uphold its rule can be overthrown only by force.

Nearly 25,000,000 votes in Germany have been cast for parties who use the red flag and who have the word Socialist in their official name. These are the Nazis, with 11,700,000 voters and 195 members in the Reichstag; the Communists, with 5,900,000 voters and 100 members, and the Social Democrats, with 7,200,000 voters and 121 members. These three powerful parties, representing, roughly, two-thirds of the votes cast, march under the red flag. The left wing of the Centre party depends for its votes largely on the organized Christian workmen, but their federations are only a shade less radical than their Marxist fellow-workmen. If the working classes in Germany decided to use force to get rid of a Cabinet like that of Papen and von Schleicher, the seriousness of the situation can hardly be exaggerated.

Any revolution in Germany—revolution it would be—would certainly, in the beginning, show distinctive nationalistic symptoms but would rapidly become communistic. The German Communists are in close touch with Moscow; it is not too much to say that they get their orders from the Soviets. Of course, under existing conditions, a large proportion of those who vote red are not conspiring for a revolution, but a situation ripe for revolution is developing.

\*This article was written before the resignation of von Papen and his Cabinet on Nov. 17 precipitated a new Ministerial crisis.

History shows that revolutions are always started by small, sometimes very small, minorities. What they need to be successful is a state of general apathy and a lack of sympathy with the existing form of government, which prevents organized resistance against revolutionary attempts. The classes that were considered the main pillars of the State in the time of Wilhelm II have weakened under the pressure of war and post-war poverty; they are not well organized and it seems far from sure whether they have retained enough self-confidence to meet a crisis. When, on July 20, 1932, the Prussian Government was driven from office by military pressure, no hand was raised to defend what must have seemed to many the legitimate government of Prussia, and only faint protests were heard. This seems to point to the existence of that widespread apathy which I am inclined to consider very dangerous.

In the early Spring of 1931 I wrote in my book, *Thoughts on Germany*: "The Treaty of Versailles set the army, the present Reichswehr, on an entirely new basis, in so far as it forced Germany to change over to a professional army, strictly limited in numbers and subjected to very narrow restrictions in the matter of equipment. This creates an entirely new state of affairs. Through all the internal disorders, the after-tremors of the convulsions of war and revolution, the Reichswehr, against all the attempts of the extremists of the Left and the Right to seize the government, remained the ultima ratio of order. Though its strength would be quite inadequate for an external war, the Reichswehr, a compact force under determined leadership, is in a position to destroy any attempt at armed opposition in the interior of Germany. A weapon of such vast importance in home politics is naturally a sort of temptation to an energetic commander to play a decisive part in the field of politics. There may have been such tendencies; but up till now there has

been no public hint of any such attempts. In any event, it is a point that must always be borne in mind. Against such a risk there is only one expedient—a realization on the part of the military leaders of the imperious necessity, especially in difficult times, of concentrating the political authority, firm and unified, in one hand and one only, and a patriotic determination to sacrifice self and self-interest to the common weal." With the increase of the Hitlerite masses, which was then just beginning, it became truer every day that the only organized power in Germany was the Reichswehr. On this military force the Papen-Schleicher government depended for support.

To any one outside Germany it must be a puzzle how the German people, who since the adoption of the Weimar Constitution have seemed to consolidate their democratic republic, should now, without violent protest, submit to a régime which threatens to become more or less a military dictatorship. The principal factor is the Constitution itself, which has some fundamental defects that were bound, sooner or later, to lead to serious difficulties. The cardinal mistake was the lack of a second chamber which, in times of too erratic movements of public opinion, could exert a conservative influence. In times of stress, when violent emotions were shaking the country, it was natural to develop the President's power in order to create the sort of balance that would have belonged to an upper house of the Reichstag. This has been noticeable ever since the rising tides of Hitlerism and communism have threatened the very foundation of modern Germany. The alternative to the Papen-Schleicher Cabinet was not real democratic rule but Nazi rule, which would have stamped out democracy for a long time to come. So this semi-dictatorial Cabinet was supported or tolerated as the lesser evil.

Another capital defect of the Weimar Constitution was its neglect of

the essential German problem—the relation of the Reich and the individual States. Bismarck's Constitution, by a stroke of genius, tackled this problem, which had baffled all earlier efforts. After the disappearance of the Kaiser and the German sovereigns who had been the main pillars of the Bismarckian Reich some new arrangement was necessary, but the Weimar Constitution provided none. Only the statesmanlike attitude of Dr. Braun, the Prussian Prime Minister, made it possible to carry on without intolerable friction between Prussia and the Reich. The Papen-Schleicher Cabinet attempted a solution by merging the Reich and Prussia, but it led to a lawsuit before the Supreme Court at Leipzig and the straining of relations between the Reich and the individual States under the leadership of Bavaria. Until this formidable problem is settled a fundamental cause of unrest will exist in Germany.

The strongest influence in the present state of mind in Germany is a declining belief in the principles of democracy as practiced during the nineteenth century. Germany is close to Soviet Russia, where democratic principles and rule by parliamentary majorities are wholly denied. However glaring may be the shortcomings of Soviet rule, a certain amount of success cannot be denied to the measures taken by Moscow, while a clever propaganda in Germany makes this success appear still more convincing. Mussolini has many admirers in the fatherland and his laurels may seem tempting to gifted and ambitious younger men. The propaganda of both the Nazi and the Hugenberg party has left no stone unturned to demonstrate that

only old-fashioned cranks still believe in democracy and parliamentary government, that fascism and dictatorship are the creed of the present generation. This new philosophy is spreading through the world; not only has it been accepted by many Germans but even in England, the country with the longest parliamentary record in the world, many able minds of the younger generation are imbued with Fascist ideals.

Germany's most valuable assets today are the prestige of President von Hindenburg and the Reichswehr. Both have been deeply committed to the Papen-Schleicher experiment, so much so that some observers doubt whether they could disentangle themselves should the principles behind that Cabinet finally fail. Probably the von Papen government, or one similar to it, will be backed to the utmost by both the President and the army. Much will depend on the degree of material success. If the tide of returning prosperity is running fast enough, violent change may be avoided. The revolutionary forces, led by Moscow, know that if prosperity and normal business return before revolution is successful, all hopes for an overturn must be put aside for many years. Knowing this, they will strain every nerve to make hay while the sun shines. It is the battle of Europe, nay, of the whole world, which is now being fought on German soil. The von Papen Cabinet stood for all that tradition had made venerable, and that is why many Germans gave it their support, fearful lest it prove to be the last dam against the rising floods of combined radicalism.

OHLSTADT, UPPER BAVARIA,  
Nov. 14, 1932.



# Freedom Under Soviet Rule

By SIDNEY WEBB

[In printing this, the third, article of a series on Soviet Russia which the editors have arranged with Sidney Webb to contribute to this magazine, it should be pointed out, in reply to various correspondents, that the purpose is to present still another point of view on one of the most controversial subjects in the world today. Mr. Webb is specially qualified to discuss the Soviet experiment, because, as G. D. H. Cole explained in his article, "The Webbs: Prophets of a New Order," in *CURRENT HISTORY* for November, he has devoted a lifetime to working out ideas for the kind of planned economy that as a Socialist he believes necessary for social progress. Obviously there is much to be said in criticism of Mr. Webb's standpoint and of the actual results of Soviet rule, as can be gathered from the monthly survey of events in the Soviet Union which Professor Edgar S. Furniss of Yale University contributes to this magazine from month to month, as well as from other articles that have appeared and will continue to appear in these pages from time to time. Meanwhile, the fourth of Mr. Webb's articles, "Is Soviet Russia a Democracy?" will be published in the February number of *CURRENT HISTORY*.]

WE still hear it asserted by those who have not been there that the system of the Soviet Union is one of subjection and virtual slavery. Yet Lord Lothian, who visited Moscow with Bernard Shaw and Lord and Lady Astor in 1931, publicly declared on his return that what was happening in the U. S. S. R. was, not the French Revolution but the Renaissance and the Reformation put together, that is to say, a great emancipation of mankind. What are the facts?

Certainly, the people of the U. S. S. R. do not look like slaves or talk like slaves. The traveler who watches the men and women thronging the streets or filling the theatres and cinemas of the cities, or the young people

bicycling along the roads of the densely populated Donetz mining and manufacturing area or crowding into the clubhouses on the great State farms will not easily believe that this is an enslaved people. And if he talks to his fellow-passengers in the always crowded trains or on the Volga steamers, or if he gets opportunities of discussion, away from Moscow, with the members of trade unions or cooperative societies, he will find them grumbling in much the same way as similar people in other countries. There will be one important difference. During the past two years they have known no involuntary unemployment, and they have today no apprehension of any unemployment other than that involved in changing from job to job. Indeed, the workmen in the Soviet Union are full of pity for the American or the British worker, who is not even free to work! And what the workmen in the U. S. S. R. never complain of, even in the most private talks, is anything like subjection or slavery.

There is one unfailing mark of slavery, as of any form of enforced service in a particular establishment, namely, the inability to get away. Now, every large enterprise in the U. S. S. R., especially those newly established, complains seriously of the continual turnover of labor. Far from there being any fettering of the workman to his task there is, in actual fact, everywhere an embarrassing degree of mobility in the staffs. It is not at all unusual, in one of the new large factories, for as many as an average of 100 men per day to quit work and move away to other jobs or other districts. In the gigantic trac-

tor works at Cheliabinsk, for instance, during the first ten days of June, 1932, when a strenuous effort was being made to increase the staff, no fewer than 1,027 men, or more than 100 per day, actually left to seek other employment, while 2,188 new workers were taken on.

There is, of course, no legal or administrative prohibition of relinquishing a job. When every workman knows that there is any number of vacancies to be filled elsewhere, he is only too ready to resent the discomforts that characterize every growing city in the U. S. S. R. and to lend a credulous ear to rumors of there being, somewhere else, more varied food and less overcrowding.

Practically all the 8,000 or 10,000 managers of State works of different kinds are striving desperately to enroll additional men. Even for unskilled laborers, raw peasant youths from the villages, the demand cannot be fully satisfied. Of skilled mechanics there is such a constant dearth that managers have been seeking to "steal" them from other works by offering all sorts of inducements, until the practice had to be forbidden. The Soviet authorities themselves tempt away men only half-trained, in order to use them to start the newer factories. The director of the Stalingrad tractor works found himself so hampered by this incessant tempting away of men that he finally made an agreement that he would himself select a prescribed number of partially trained men each month, and offer them the new jobs at other works, provided that no other solicitations were made to his staff.

Needless to say, this practice of throwing up a job and moving away to some other place in search of more comfortable conditions is not a new thing in Russia. At all times the peasants have been prone to wander off on any vague rumor that things were better in some remote district. Mobility of this sort, like unpunctuality and irregularity of attendance, is an economic disease from which nearly all

Soviet enterprises still suffer. Its very prevalence ought, at least, to destroy the American and British delusion as to the enslavement of the Soviet wage earners. There is repression in the U. S. S. R., and to this due reference will be made on a subsequent page. But it is not of the nature of enslavement of the manual working class.

The emancipation that the revolution has brought to the workman is, of course, not merely a rise in his standard of life, measured in material things. His thought, his energy, his ambition, have all been aroused. The new conditions of the wage contract in the industries of the U. S. S. R. are typical of the intense stimulus that is being deliberately brought to bear on the worker in order to emancipate him from the narrow limits of routine in which the wage earner in all countries usually finds himself imprisoned. Every youth in the factory—indeed, also every adult workman (for they are nearly all under 40)—is taught that it depends only upon his own efforts to what higher position he may aspire. He is not only encouraged but also assisted to rise into a more skilled grade of labor, with a higher time-work rate and much greater piece-work earnings. He can apply at any time for a transfer, on probation, to any higher grade in the undertaking, in any craft or kind of work. If he "makes good" in that higher grade to the satisfaction of the management, he is allowed to continue at it, without any question being raised as to whether he has been duly apprenticed, or any "demarcation" difficulty being encountered. The result is that in the cities very nearly the entire factory population of all ages is in attendance at technical classes. This is an effective emancipation of a kind of which even America has not too much, and in which all Western Europe lags far behind.

What is even more remarkable is the freedom of thought and of criticism that the workman in the Soviet Union enjoys, and uses to an almost

incredible extent. Whereas in Britain and France the workman may freely denounce the very principles of government and bespatter the Ministers and the municipal Councilors with personal abuse, provided only that he keeps silent about the management of the factory in which he works and refrains from criticizing or denouncing the partners in the firm or the general manager who pays him his wages or the foreman whose orders he has to obey, in the U. S. S. R. the position is reversed. The workman in a Soviet factory would be prudent not to indulge in criticisms of the Marxian philosophy, which he has not the slightest desire to do, or in denunciations of "Comrade Stalin," or in doubts about the wisdom of the Communist régime, lest he should get the reputation of being a "counter-revolutionary" and become an object of suspicion to the police, as a talkative Communist workman does in Alabama or Tennessee or in Hungary or Poland.

In the U. S. S. R. every factory operative may safely criticize the organization and working of his own factory, and even abuse and denounce his own manager and his own foreman—and he constantly uses this unlimited freedom of thought and expression, even to the extent of publicly caricaturing and ridiculing his industrial superiors in the "wall newspaper" displayed in every undertaking—with absolute impunity, fearless not merely of police measures, but also even of reprimand, let alone dismissal. In short it is safe to say that the average factory operative in the U. S. S. R. feels actually more free than the similar workman in Britain or the United States. Several of those who have, since 1917, returned from America to take up work in the Soviet Union, have expressed themselves to this effect, privately as well as publicly.

The emancipation brought about by the revolution is even more conspicuous and indubitable among the wo-

men, the children and the adolescents, who (as it is not always remembered) together make up more than three-fourths of the whole population of any country.

Twenty years ago the Russian woman, in the grades or classes comprising nine-tenths of the population, could, unless she had become a widow, never freely dispose of her life or of herself. It was not merely that she had no vote and no property of her own and only exceptionally even the freedom of separately earned wages. In the vast majority of families the girls remained unable to read or write. By immemorial custom—not confined to the areas in which Islam prevailed—the daughter remained a helpless dependent in her parents' household until she was given in marriage, usually without effective choice on her part, to a husband to whose will she became still more subject and on whom she was at least equally dependent.

Today the women in the U. S. S. R. are more effectively freed from sex disabilities than those of any other country. It is not only that illiteracy is being as rapidly got rid of among girls as among boys, and that the woman, like the man, becomes a full citizen at 18, and equally eligible for every elective office. It is not merely that in trade union and consumers' cooperative movements, both of them filling a larger place in life than they do elsewhere, there is no distinction of sex. In all occupations of life women now enter freely on equal terms with men, earning equal rates of pay and often rising by promotion to high administrative and professional positions, having as subordinates men as well as women. In the marriage relation there is equality between husband and wife, with equal freedom to divorce and, according to relative capacity, equal obligations of maintenance of mate or offspring. And in order as far as possible to overcome the physical handicap of maternity, women in industrial employment are not

only provided gratuitously with medical attendance and also hospital accommodation wherever this is available but are likewise given leave of absence on full pay for eight weeks before and eight weeks after childbirth (clerical workers six weeks instead of eight). For infant nurture the mother is allowed the necessary intervals in the factory day, and there is elaborate provision of crèches so that the employed mother may not be driven to overwork.

The traveler in the U. S. S. R. finds, accordingly, everywhere women working side by side with men in the engineering workshops as well as in the textile factories, as sailors and wireless operators in the Soviet mercantile marine, and as tractor drivers and mechanics on the State and collective farms. He sees them engaged in all the professions from telegraphy to diplomacy, from stenography to medicine, occasionally rising to posts of the highest grade. If it is impossible to measure the quality of the service, at any rate it is known that the aggregate number of women authors, musicians, actresses, singers and dancers has, during the past decade, greatly increased.

At least an equal emancipation has taken place among the children and adolescents. The school which has freed them from illiteracy has been at the same time the opening to them of a new world in contrast with their narrow homes. In these schools, with an almost exaggerated craze for modernity, there is on the one hand no punishment and on the other all sorts of devices for self-government, with a most precocious initiation into politics and public affairs. Outside the school the children are brigaded in huge organizations, such as the Octobrists (5 to 10), the Pioneers (10 to 17) and the Comsomols (the Leninist League of Youth, 17 to 25), each of them extending from one end of the U. S. S. R. to the other, with an aggregate enrolment of 6,000,000 or 7,000,000, without distinction of sex,

meeting in innumerable committees and conferences for the management of their own affairs.

The Comsomols, who are organized in 70,000 cells or nuclei, hold endless meetings for all sorts of purposes, maintain their own libraries and support their own newspapers, with huge circulations, to which they contribute with youthful fanaticism. Their aggregate purchases of books are reported to be enormous, far exceeding the like purchases of Germany or Great Britain. Particularly striking is the development among them of a conventional code of conduct, marked by a growing Puritanism in the subordination of the animal instincts in order to allow of a fuller and more productive life, notably in hygiene (open windows, cold baths, &c.) and athletics (the "erotic" dancing of Western Europe being barred). It is "bad form" among the Comsomols to indulge in alcohol and tobacco or to waste time and strength on sex. There is a regular passion for "self-improvement," notably in deliberate study in order to "improve one's qualifications" for service.

Altogether, taking together the women, the children and the adolescents in the U. S. S. R., irrespective of the men, the advance in freedom of life of these 120,000,000 individuals during the past fifteen years has certainly been vastly greater in quantity than the world had ever before witnessed in a similar period. Neither the Renaissance nor the Reformation simultaneously affected the lives of anything like so great a number of individuals.

There is one other manifestation of this far-reaching emancipation of the people that must not be omitted. These millions have suddenly become voracious readers. The number of daily and weekly newspapers published in the U. S. S. R. (nearly 600) is considerably greater than before the revolution, and in many more languages, with an aggregate circulation now approaching 10,000,000, four times as



great as before. Several newspapers, with circulations exceeding 1,000,000, dispatch daily airplanes from Moscow to the north, east and south, laden solely with copies for distant subscribers. Subscriptions for any periodical publication are, as in Germany, received at any postoffice between the Baltic and the Pacific. The number of monthly and quarterly journals, specializing on every conceivable subject, for every section of the population, now exceeds 1,300, enjoying an aggregate circulation approaching 10,000,000, being vastly greater than ever before.

But it is in the number of books that the U. S. S. R. most excels. The State Publishing House at Moscow, which, though the largest, is only one among hundreds of separate publishing establishments, issued, in a recent year, no fewer than 24,500 separate books and pamphlets. This is only about half the total for the U. S. S. R. These figures greatly exceed the whole literary output of Germany, Great Britain or the United States. And the editions are colossal. The average first edition, during 1931, of a serious work on science or philosophy was 11,600 copies, being greatly in excess of the average in previous years and enormously greater than that of a German or British edition. A thick textbook on political economy was straightway printed in 100,000 copies. Of "mass literature," such as pamphlets, school primers and "outlines," the average edition in 1931 was 54,000. A speech by Stalin was printed in 2,000,000 copies. All the publishing agencies complain of "paper starvation," by which alone their editions are limited. And these publications are promptly sold. Some go out of print within a week and practically all within three months. Professors say that, unless they send instantly for a new work on their own subject, it is usually unobtainable. Every branch of every trade union or cooperative society, every educational institution, every clubhouse, every Comsomol organiza-

tion has its own library and supplies its own circle of readers.

Let us now turn to the other side and consider the repression that undoubtedly exists in the U. S. S. R. This is not manifested in the multiplication of statutory or police prohibitions of personal behavior, of which the Briton or the American complains in Germany. Still less is it repression by merely social conventions, which in other countries seriously affect the practical freedom of the individual to deviate in clothing or habit, or in the visible standards or kinds of expenditure or in religious observances, from whatever is customary in his vocation, his class or his neighborhood. In all these respects the resident in the Soviet Union rightly claims to be more effectively free than the average inhabitant of the smaller British or New England cities in which every one is known.

On the other hand, in the Soviet Union every able-bodied adult is assumed and expected to work in return for his maintenance at some socially useful occupation. Although living in idleness on the interest from government loans or the State Savings Bank or on the royalties from past books or plays is not absolutely prohibited by law, it is only theoretically possible. In practice it would be severely reprobated, rendered difficult in the extreme, and drastically taxed, while it might, in particular cases, be dealt with by exclusion not only from the franchise but, what is much more important, also from membership of any trade union or cooperative society, involving relegation for all purchases to the higher prices and haphazard supplies of the open market. This practical prevention of living without service to the community is rendered all the more repressive (to such individuals as may hanker after such a life) by the stern legal prohibition of speculative buying and selling of commodities or securities, and of the "exploitation of labor," that is to say, any hiring of persons for the purpose of

making a profit by means of their work. It is, in fact, as impossible for an isolated individual to engage in business in the U. S. S. R. on his own account, if this involves any hiring of assistants, as it is for the resident in Great Britain to run a private post-office.

Another kind of repression that is made the subject of complaint is what is ambiguously termed forced labor. In this is sometimes included what is more correctly classed as prison labor, or the work imposed on persons convicted of crime as part of their sentence, whether as punitive or as incidental to their reformatory treatment. Such treatment of convicted criminals, which is not in any way condemned by the International Convention against Forced Labor, does not seem objectionable in itself. The Soviet Government is not even accused of any such perversions of the practice unfortunately still existing in various parts of America and Western Europe, as the hiring out of prisoners to contractors to be worked for private profit. Nor can the employment of convicted prisoners in economically productive labor—this being, perhaps, the only way of making the work of reformatory value—be seriously resented in a country where it can have no effect in undercutting the price or the wage in profitmaking employment. The Soviet Government has specifically denied that any convicted criminals are employed in making commodities for export, and no refutation of that denial has been sustained. Moreover, the productive labor that could possibly be obtained from convicts, even if they were numbered in thousands, would be economically insignificant in comparison with the total production or even with the aggregate exports of so extensive an employer as the government of the U. S. S. R.

What the objectors to forced labor have in mind is, however, not the work of convicted criminals, but the legal compulsion to labor imposed on groups or sections of the population

at large, comparable with the obligation to repair the roads by personal service that still prevails in France as in several States of the U. S. A. and is not quite unknown in British Crown colonies. About this kind of repression it is difficult to get the facts clear. Apparently it is customary in some of the forest districts, where a large proportion of the adult male inhabitants habitually work in the lumber camps, for villages to agree in their local soviets that a specified number of workers shall be supplied from the village for employment on the wage conditions fixed by the collective bargaining between the representatives of the Timber Workers' Trade Union (to which they all belong), and the organ of the Soviet Government administering the industry. Such resolutions of the village councils bind the villages to insure that the agreed number of their men will join the neighboring lumber camp. Although the resolution does not oblige any particular individual to go, we may believe that local public opinion is coercive enough. Such a method of recruitment, under trade union conditions, which appears to have long been customary in one or other form, hardly deserves reprobation as forced labor.

What is, indeed, habitual in the U. S. S. R., if not universal, is an economic compulsion to labor as the only means of obtaining maintenance, a compulsion which differs from that prevailing in other countries only in being applicable to the entire able-bodied population instead of only to the four-fifths of the population who are not property-owners. There is, however, a case in which this universal economic compulsion to labor has apparently been converted into a measure of serious repression, and this must not be slurred over. In the U. S. S. R. there is normally, owing to the relative scarcity of laborers and the absence of social conventions, a wider and more effective freedom of choice of occupation as a wage or

salary earner than exists in any other country. But if persons are compulsorily deported to remote districts in which only one or two occupations are carried on, and these possibly such as the deportees are physically unfitted for, their deportation may not only be deemed forced labor of a particularly objectionable kind, but may easily amount to severe punishment, and one not far short of premature death.

Such were, sometimes, the conditions of exile to Siberia under the Czars. Such, it is reported, were often the conditions, to which were condemned, in 1931, of a certain number of prosperous peasants, guilty of no crime except that of belonging to the class termed kulaks, who were deported to the northern timber districts, and possibly in that way forced into the lumber camps as the only means of subsistence. In other cases the expropriated kulaks are said to have found employment in railway construction, and some of them appear eventually to have been settled on unoccupied land as members of a special collective farm, which seems a much more suitable application of their labor. If the statement is true that whole herds of kulaks were virtually forced into the northern lumber camps—and the Soviet Government has not troubled to deny it—the case seems to be one of cruel repression.

None of the foregoing cases, however, represents the kind of repression by the Soviet Government that is most seriously complained of. That government is a dominant and intolerant autocrat in intellectual matters. In whatever it considers to be its own sphere, it suffers no rival influence to exist. It allows no sort of organization of the intellectual opposition that inevitably arises from time to time in large matters and in small. It is vigilantly watchful of the least approach to what seems to be "counter-revolutionary" in speech or writing. And this repression is exercised ruthlessly on great personages and humble folk alike, with widespread spying and

delation; often, it is said, even today, without open trial or (except when deemed politically expedient) newspaper publicity, leading to severe sentences of imprisonment or punitive relegation to places where existence is but prolonged agony or even to secret execution, without information to relatives or friends.

How much truth there is in this matter, so far as the present practice of the Soviet Government is concerned, no man can say. What is certain is that such things have happened in past years, though probably in nothing like the number of cases of which rumor speaks. No sensible person would be disposed to make a lasting grievance of excesses committed during a forceful revolution or to affect surprise at the occurrence at such a time of cruelties and injustices of all kinds. Revolutions are apt to be like that. This is one reason why it is desirable to avoid them! But the Soviet Government takes no steps to disabuse the public at home or abroad of the common impression that similar action continues to be taken at the present time, whenever it is thought necessary. The traveler in the U. S. S. R. today, even if he starts unprejudiced by hostile reports, can hardly escape the impression that, although public criticism of the details of administration is more abundant and less fettered than in any other country, people are afraid to express even in privacy any fundamental objections to the Communist régime or any apprehensions of its possible failure or any preference for parliamentarism or the profit-making system. The thinkers and writers, academic or administrative, do not themselves complain of this repression; perhaps do not care to venture a complaint. But it becomes evident in intercourse that they feel a constraint not only on their expression but, what is much more serious, on their thought.

The Western world has come to believe that any such repression of freedom of thought and freedom of speech

is not only a lessening of human happiness but also in the long run a serious loss to the community itself. Unless thinkers are free to think as they please, they are on such subjects unable to think effectively at all. A censorship does not merely suppress what the Japanese Government stigmatizes as "dangerous thoughts." It inevitably interferes with and finally prevents the conception of new thoughts that are essential to the community's progress. Whatever may be necessary in times of war, every repression of the intellectual process involves, to the community as a whole, a loss none the less grave because it cannot be measured or even precisely defined. What shall it profit a nation if it preserves the authority of its government but loses its own soul?

The excuse that is made for this repression by defenders of the Soviet Government is that, like the soldiers with fixed bayonets, guarding the bridges and factories, it is an outcome of war mentality. The Soviet Union feels that it is still in danger of attack and that it must take every step to secure itself against destruction. If this is really the case, it is a calamity for the nation, which should as soon as possible be overcome. The very moment that reasonable security is attained the whole Western world would say that the Soviet Government would do wisely to allow to its thinkers the luxury, not so much of more consumable goods but, first and foremost, of greater intellectual freedom.

The suppression of freedom of thought and of utterance is not the only form of repression to which the Soviet Government is reputed to be prone. In the execution of its decisions there seems to be a cruelty and a personal injustice which is much to be deprecated. It may have been necessary to "liquidate" the kulaks, like the Orthodox Greek Church and the landowners and profit-making employers. When whole classes of persons continue to practice what is

deemed to be seriously harmful to the community, the community has the right and the duty to suppress them. But all political experience shows that it is a positive injury to the community itself to make any such suppression of classes, found to be harmful to the State, the occasion for cruel or unjust treatment of individuals.

If in Great Britain it should be thought necessary to suppress any whole class, it may confidently be predicted (1) that the execution of the decree would not be left to the tumultuous "mob justice" of the local authorities of town or village without the express sanction, in each case, after a public inquiry by some superior authority of judicial nature; (2) that every person to be "liquidated" would be afforded an effective opportunity of appealing, so as to insure that action was confined to those who were individually at fault; (3) that no deportation or exile or other penalty would be inflicted without judicial trial and sentence in open court, and (4) that at least a compassionate allowance would be awarded to those unable to take to another occupation. The English people would think they did this out of humane feeling and belief in "fair play." Subconsciously it would be because they have learned that it does not, in the long run, pay a community, any more than it pays an individual, to act otherwise than justly and kindly.

There is one justification, so far as it goes, of what the English and the Americans would consider a repressive régime which is worth emphasizing, because it is one which the Western world has hitherto to its own serious detriment continuously ignored. The Soviet Government maintains its very great authority over the individual citizen because it believes in the supreme necessity, for the mental and moral as well as the economic development of the U. S. S. R., of a deliberately planned environment. The argument is that, without the General Plan, extending to all the activities of



the entire population, it is impracticable for the bulk of the people to emancipate themselves from the illiteracy, the squalor, the dirt, the disease, the vice, the crime and the abject poverty in which these many millions were sunk. Without an increase of wealth production and a universal rise in the standard of life, no mental or moral progress—in short, no rise out of barbarism—is practicable. What is required is to change the whole environment to which the average proletarian or peasant family is continuously subjected. This involves nothing less than the substitution of a deliberately planned environment for that which has come about as the result of mere animal instinct, superstition and magic, working on undeveloped natural resources. A planned environment involves widespread and continuous interference with individual desires, wills, purposes and activities.

This, however, does not necessarily mean any diminution of the aggregate freedom of the whole population. It is the environment itself which limits individual freedom, irrespective of whether the environment is or is not planned. The youth in Dreiser's *American Tragedy* is certainly shown as more coercively molded by the entirely unplanned environment to which

he is subjected—and, accordingly, less free to escape moral ruin and the electric chair—than the youth in the U. S. S. R., for whose effective emancipation and freedom of development an all-pervading environment is deliberately planned. We must clear our minds of cant.

The individual American or Briton is in the vast majority of cases just as much compulsorily subjected to an extremely coercive environment as the individual inhabitant of the U. S. S. R. In fact, the Soviet Government claims that by deliberately planning the environment of its people it largely increases their effective freedom of life. The essential difference between a planned and unplanned environment is that the one unavoidably affects the whole of the people, while the other can be escaped from, to a greater or less extent, by the property-owning and professional classes, especially if what they desire is to lead an intellectual life. It may be argued that this, which may well be the most precious liberty of all, ought not to be monopolized. "Liberty," said Lenin on one occasion, "is so valuable that it must be rationed." This, in brief, is the Soviet case for a virtually autocratic Five-Year Plan.

# The Chamberlain Family in British Politics

By S. K. RATCLIFFE

[Mr. Ratcliffe, a well-known British publicist, is a frequent lecturer in the United States. A Liberal in British politics, he is a close student of contemporary affairs in his own country and because of intimate association with the leaders of Great Britain is particularly competent to describe the rôle of the Chamberlain family in recent British history.]

WHEN the members of the British Cabinet returned home from the Ottawa Conference in September, 1932, there was not one of them, with the possible exception of J. H. Thomas, that was anxious for publicity. But the interviewers, of course, were merciless. The missionaries of empire were compelled to talk; and Neville Chamberlain, Chancellor of the Exchequer, was tempted into an utterance of filial piety which he must expect to have quoted against him for the remainder of his political life. It was to the effect that the Ottawa tariff agreements were to be regarded as important or satisfactory, because they were in the direction of a fulfillment of his father's—Joseph Chamberlain's—dream of a British Empire bound together by the ties of tariff arrangement and imperial preference.

This statement and its response in the British press made an interesting parallel to a scene enacted in the House of Commons some months earlier. The same son of the Birmingham politician had introduced in Parliament the first large and fully acknowledged tariff measure sponsored by the National Government presided over by Ramsay MacDonald. In a House crowded with Tory members rejoicing in their triumph, and mali-

ciously delighting in the fact that the former Labor Prime Minister was their prisoner, Neville Chamberlain had made the peroration of his speech a tribute to his father.

In 1903, it will be remembered, Joseph Chamberlain left his place in the Cabinet and went into the political wilderness, finally renouncing hope of becoming Prime Minister, in order to lead and consolidate a new tariff party in Britain. Politicians of the newer imperialism were on his side, along with most of the big newspaper owners, but Balfour, the Cecils and all the Conservative chiefs who counted heavily in the country were against him. Thirty years ago free-trade argument and free-trade sentiment were too much for Joseph Chamberlain. The Tory party, rent in twain by him, was smashed at the polls three years later. And he himself was at the end of his tether. In 1906 his fellow-citizens accorded him a seventieth birthday triumph in Birmingham. Immediately afterward he suffered a physical collapse. He never looked up again, and he died soon after Europe was plunged into war.

We may then count it as one of the oddest pieces of irony in the annals of modern England that a quarter of a century after this masterful and frustrated man had passed from the scene, a mass of young Tories in the Commons should make the House ring with cheers because a son of Joseph Chamberlain had been the chief instrument in bringing to an end the historic fiscal policy of his country, thus carrying Britain into the tariff column, at a time when every country

in that column was becoming profoundly disturbed over the question of restricted or freer trade.

Fifty years ago the leader of radical England, Joseph Chamberlain, was a most remarkable product of the Victorian age. In 1880 almost everybody on the progressive side believed that nothing short of premature death could prevent his being the immediate successor of Gladstone. They were certain he would be the first radical Prime Minister of Great Britain. Not a few of them were convinced that he was destined to lead the new democracy of Britain through a parliamentary revolution, which would bring about a complete democracy, with the abolition of all social privilege and, above all, a drastic change in the land system and all the laws of property and inheritance. The transformation of Joseph Chamberlain between 1885 and 1890 was a major event in the history of modern England. No less does the position of his two sons in British politics, with their work and influence in the half generation following the elder Chamberlain's eclipse, make one of the most curious chapters in English parliamentary life.

Joseph Chamberlain was a man of unusual character and of extraordinary talents for political leadership. He ought to have been Prime Minister in the late-Victorian epoch, head of a government before the close of the great age of British expansion. He altered his direction, changed his party and never came within sight of the highest place. The elder of his two sons, Austen, was pushed into the Cabinet as his father left it. For a short spell after the World War he was leader of the Conservative party, a place he lost in 1922 through an odd misjudgment of circumstances and tendency. He held the great office of Foreign Secretary for four years. Now in his seventieth year, his active political career is over.

The younger son, Neville, we have observed in a characteristic position

and attitude. He holds the second post in the National Cabinet and after Stanley Baldwin is the most conspicuous figure in the Conservative party. It is more than probable that he will be Prime Minister. There are many persons of political consequence in England today who are predicting that Neville Chamberlain will succeed Ramsay MacDonald, and that his promotion may be looked for before the year 1933 is well advanced. In view of what seems to be the virtual certainty that the composite MacDonald Government will be followed by a straight Conservative Party Government, coupled with the almost equal certainty that the diehard Tories will not again submit—for more than a short interval, if at all—to be led by Stanley Baldwin, one may well ask, without joining the more positive of the prophets: If not Neville Chamberlain, who is to be the next British Prime Minister?

Here, then, is the Chamberlain dynasty, the political trinity of Birmingham, the English Midlands metropolis. Let us consider them briefly in turn.

Of Joseph Chamberlain, born in 1836, we shall be reminded in fullest measure soon after these lines are in print, for the first part of his biography, long in preparation by J. L. Garvin, editor of the *London Observer*, is about to appear. Joseph Chamberlain was the first of a new line of English statesmen—a business man who at an early age had made a fortune in industry and so was able to devote himself wholly to public affairs before reaching his fortieth year. He had a passion for local progress, a keen civic sense, and a conception of politics as "the science of social happiness" which was extremely rare in the last third of the nineteenth century. As a civic reformer his record was most notable; his Mayoralty of Birmingham marked a clear division between the mid-Victorian darkness and a progressive modernism.

He passed swiftly from local to national politics, and in 1880 had to be

admitted by Gladstone into the Cabinet because his leadership of the left-wing Liberals was undeniable. Gladstone looked upon him as an intruder and could not accept him as an equal. The two men clashed over Ireland when Gladstone took his historic step toward home rule. We must assume that the break was inevitable, and therefore that there was nothing for it but that Joseph Chamberlain should, after a spell of mugwumpery, move into the Conservative camp and narrowly miss the ironical destiny that would have been his had Arthur Balfour not barred the way to the party leadership.

The Boer War (1899-1902) made Joseph Chamberlain known to the outside world. Mr. Garvin's study will probably show that he had no wish for war and hated it when it came. But he was the Minister most closely identified with the policy which led to war; he never sought to evade or lessen his share of responsibility for it; he held immovably to the design of conquest and annexation. And we must infer that until the end he remained unaware of the significance of the Boer War in the evolution of British power and unimpressed by the impressive fact that it was his policy and temper, as much as anything else, that set the public opinion of the civilized world decisively against Britain, until such time as a Liberal Government made the act of partial redemption by building the constitution of an equal and united South Africa.

After the peace, Joseph Chamberlain paid a visit to South Africa. We shall learn in due time what that experience meant to him. What we know now is that on returning to England he threw aside his old interests, once again changed his political course and announced his complete conversion to a protective tariff and a scheme of imperial preference. He did not understand what he was doing. He had been too much of a disciple of the Victorian free-traders to be capable of mastering the economics of an imperial cus-

toms union superimposed on a system so various and peculiar as the British Empire. His guesses and his blunders became a confused comedy, and Asquith, with his cold logic, his command of the armory of classic political economy and his weight of intellectual eloquence, followed him round the country and demolished his case point by point. Joseph Chamberlain was completely defeated. He was too old to recover. But he left a name which, by the strangest irony and the luck of an unimaginative son, became a legend to be invoked in Britain's hour of crisis and amid a gathering of Tory tariff-worshippers who do not care two straws for the work or the reputation of the first member of the Birmingham trinity.

We need not dwell upon the life and miracles of the second member. Austen Chamberlain enjoyed all the advantages which his father had missed. He went to Cambridge University and had no need to consider any profession save politics. The gate to Parliament was opened for him, and when, at 40, he was made Chancellor of the Exchequer, no one in England cared to deny the universally accepted belief that if he had borne a different surname Balfour would not have deemed him worthy, at that time, of anything higher than an under-secretaryship. He was fortunate in his family and in his time.

But let it not be supposed that Austen Chamberlain is or has been an incompetent politician or Cabinet Minister—far from it. He was thoroughly trained in public affairs. He has always known his subjects. With none of his father's endowment of personal force or power in debate or mastery of men, he made himself a good parliamentarian and a competent departmental executive. Always conscientious, he has been faithful to the older British standard of Cabinet responsibility. For instance, he resigned the Secretaryship for India on the exposure of the miserable tragedies of the Mesopotamian Expeditionary



Force, although they could not be laid at his door. He was the titular leader of the Conservative party in 1922, when Lloyd George and his Coalition crumbled. Austen Chamberlain is a loyal colleague. He knew that Lloyd George was doomed, but presumably he did not know—one wonders how he can have missed a fact so patent—that the country was tired to death of coalition politics. At any rate he resolved to stick to Lloyd George and so was not in the first Conservative Government after the war. Stanley Baldwin stepped into his place, and in so doing came in for the duty of making the British war debt settlement at Washington in 1923.

Strangely enough, however, the events of that year opened the way for Austen Chamberlain's promotion to the highest office that he was destined to fill—the Foreign Secretaryship in the Baldwin Cabinet, after Ramsay MacDonald faded out in 1924. Mr. MacDonald in the most successful six months of his checkered career had prepared the ground. Europe appeared to be at the beginning of a genuine recovery. The invasion of the Ruhr was over. The Dawes Plan was in effect. The pacts of security were coming into view. During Austen Chamberlain's incumbency at the Foreign Office the Locarno Treaty of mutual guarantee was signed and the Kellogg Pact was accepted by more than fifty nations. With the first he had much to do; with the second, nothing.

For the rest, Austen Chamberlain's term of office as Foreign Secretary was anything but distinguished. He was responsible for the abortive agreement with France which had the evil effect of reviving Anglo-American suspicions with respect to naval policy. He failed to exercise any restraint upon Winston Churchill and his associates when they were working for the frustration of the Coolidge Naval Conference at Geneva. His was the blunder in respect to the Council of the League of Nations which, in the

year before Germany's admission, came tragically near to wrecking the entire Geneva system. Since then he has become a confessed believer in Geneva and the League of Nations, but as Britain's Foreign Secretary he did not attain success in Europe. His subservience to Paris was the most conspicuous feature of his policy. He was the predecessor of Sir John Simon in a course which must surely be reckoned the strangest possible on the part of a Conservative Foreign Minister—the policy that makes Britain speak and act as a power which in European affairs plays second to her nearest Continental neighbor.

Not in Europe, surely, is Sir Austen Chamberlain to be commended; but in Asia, yes. At an early stage of the present Chinese troubles he addressed a note to the powers which embodied a sound and liberal policy toward the Far East. It deserved recognition and cordial support. If that had been forthcoming, there can be little doubt that the outlook in China would be materially different from what it is.

And now the third member of the family—what of him? In British political history there is no analogue to Neville Chamberlain. Like his father, he was identified with business and local affairs in Birmingham. He was past 50 when Lloyd George, at the end of the war, found a place for him in the government, making him Minister of National Service, an office in which no man could succeed. In the post-war Conservative Cabinets he has made his way, doing best as Minister of Health in the four years between the first and second Labor Administrations. Last year, when Ramsay MacDonald, to the amazement of the world, formed the National Government, Neville Chamberlain was within call, and when Philip (now Viscount) Snowden relinquished the Exchequer his successor could have been confidently named in every newspaper office.

Snowden, faithful still to the cause of free trade, and now, on that ac-

count, an exile from the Cabinet, would not consent to do the work of a National Government when it came to the making of a general tariff. True, Walter Runciman, once of an orthodoxy no less stern than Snowden's, has done just that. Without his most efficient aid, it seems, the thing could not have been done within a year, with the Ottawa Conference standing by itself among consultative assemblies of the British Commonwealth. Without Mr. Runciman at Ottawa and Westminster, Britain would not be a tariff country to the extent that it has now become.

But when all is said, the structure is largely, if not mainly, a Chamberlain achievement. Mr. Chamberlain is a very able, industrious and conscientious public man, entirely devoted to his fiscal theory. He, as much as or more than any man, has piloted England through the shallows and rapids and has played his full part in the astounding feat of winding up the century of free trade. Ten years ago, five years ago, would any one have believed that the one great free trade country of the world could, at a time when the tariff doctrine is under fire everywhere, have passed in a few short months under a general tariff and into the bonds of a preferential system controlled, in no small degree, by her own dominions?

A very remarkable record; yet who would say that Mr. Chamberlain, on this showing, is a statesman or even an astute politician? The National Government set out with caution. It was

not to make a plunge into protection, but to move with strict regard to the facts and needs of the moment, to adopt a modern realistic policy. And the task of experiment and adjustment is entrusted to the most convinced and determined protectionist in the Cabinet, one by the side of whom Stanley Baldwin is almost a free trader.

And this surprising crusader—business executive, Birmingham-trained realist, practical man with no nonsense about him—announces both before Ottawa and afterward that the facts and needs of a hard new time have very little to do with it. The temptation to fall back upon holy writ is irresistible. He says in almost as many words, Wist ye not that I must be about my father's business? This tremendous thing he has done—or so we are asked to believe—because the Chancellor of the Exchequer is the son of Joseph Chamberlain, whose dream of a tariff-controlled empire must be fulfilled.

A man of competence and purpose is Neville Chamberlain. He seems not to belong to the House of Commons. He is anything but a fine or interesting Parliamentary speaker. He does a job of departmental administration much better than most. He has industry, character, public spirit and a full endowment of popular qualities. The Tory party needs a leader, and, as I have said, it may before long need a Prime Minister. There is at present no man in the field who could hope to stop Neville Chamberlain.

# The Dilemma of the War Debts

By BERNHARD OSTROLENK

[Dr. Ostrolenk, a frequent contributor to *CURRENT HISTORY*, is the author of numerous works on economic subjects, the most recent of which is *How Banks Buy Bonds*.]

THE problem of war debts, which for a decade has disturbed international commerce and been a subject of controversy both between Europeans and Americans and between different sections of the American people, assumed a new aspect on Nov. 22 when requests by Great Britain, France and other debtor nations to the United States Government to make further reductions in their obligations led to a meeting between President Hoover and President-elect Franklin D. Roosevelt to discuss future American policy on the subject.

These debts originated in the World War. Before the United States entered the war on April 6, 1917, there had been intergovernmental borrowing among the Allies amounting to a total of about \$8,000,000,000, of which \$6,000,000,000 had been advanced by Great Britain. While the United States Government, because of its neutral position, had made no loans to any of the belligerents, a part of the Allied credit did come from private sources in America, such as banking and business houses that purchased the bonds of the Allied governments and those who bought American securities held by foreigners, thereby supplying the Allies with dollar balances with which to obtain war materials in America.

But with the entrance of the United States into the war, President Wilson urged the extension to the Allies "of the most liberal credits in order that our resources may as far as possible be added to theirs." By April 24 Congress had authorized a bond issue of

\$5,000,000,000 of which \$3,000,000,000 was to be advanced to countries "engaged in war with enemies of the United States." Thus began a series of loans that totaled \$7,000,000,000 during the war, \$2,500,000,000 after the armistice was signed and about \$740,000,000 for war relief supplies, making a grand total of loans to the Allies of \$10,240,000,000.

These loans were not made in money but in credits established with the Federal Reserve Banks, which enabled the Allies to purchase goods in the United States and pay for them out of their credit balances. Practically the entire amount thus advanced to the Allies was spent in the United States. The Treasury lists a total of \$11,800,000,000 expended by the Allied governments in the United States during the war, or about 15 per cent more than their total borrowings. There has been some dispute regarding the inclusion of certain purchases as not being made strictly for war purposes, and there has also been some objection to including the post-armistice purchases and debts for practically the same reason. The post-armistice debts were made because it was felt that American industries, running on a war basis, would suffer seriously if war orders were suddenly canceled. It was therefore thought advisable to make the loans to the Allies to enable them to accept the materials that had been ordered and so permit production to contract without undue abruptness. In some cases humanitarian reasons were involved, while in others considerations of price maintenance for agricultural production played a part.

The original credits were extended to the Allies on notes. After the war

Congress created the World War Foreign Debt Commission to arrange with the Allies for repayment of their debts. The act, passed in 1922, to create this commission, instructed it to collect the debts in twenty-five years and charge the debtors  $4\frac{1}{2}$  per cent interest. From that moment on the debts became an international problem of the first magnitude. Great Britain, the first country to discuss debt settlements with the commission, protested that the time was too short and the interest rate too high. The commission gave way on both points and made a settlement covering the British debt of \$4,000,000,000 spread over a period of sixty-two years with a varying interest rate, averaging 3.3 per cent for the whole period, and making the total payments of principal and interest amount to \$11,000,000,000. By an amendment adopted in February, 1923, Congress gave the commission wider powers and thereby signified its approval of the British settlement. There followed settlements with some twenty debtor nations. In each case, the nation was asked to pay the principal in full but at an interest rate varying in accordance with the formula of "capacity to pay." Thus Great Britain, Poland, Czechoslovakia and Rumania were asked to pay slightly more than 3.3 per cent; France was charged only 1.64 per cent, and Italy least of all at 0.405 per cent.

The \$10,000,000,000 originally owing to the United States was funded for a total of principal and interest of \$22,000,000,000. Because the government was paying more in interest on its bonds than the interest paid by the Allies, the settlements represented a partial cancellation of the debt. If the interest on United States bonds is computed at  $4\frac{1}{2}$  per cent, the cancellation is about 43.1 per cent; on the basis of 3 per cent interest, cancellation would amount to 23.4 per cent.

Up to Jan. 1, 1932, the United States Government had received in total payments on account of principal and in-

terest \$2,600,000,000, of which Great Britain had paid \$1,900,000,000, or 73 per cent of the total; France had paid \$486,000,000 and Italy \$98,000,000.

During the years that followed the settlements up to 1931, a furious debate was in progress in the United States as to the wisdom of accepting debt payments from the Allies. Experts in foreign trade and economists argued that these huge payments must of necessity contract the foreign markets of the United States and flood the country with foreign goods. Another important group held that the debtors would never be able to pay. Both views seemed to be proven wrong by the fact that American exports to foreign markets kept on expanding and that the Allies were meeting their obligations in spite of the high tariff duties that sharply restricted imports. But in reply it was pointed out that the debts of the Allies were really being paid by borrowings from private individuals, corporations and banks in the United States, and when these loans ceased debt payments must stop.

The Allies had balanced their budgets by including on the credit side reparation payments from Germany and on the debit side debt payments to the United States. Between the Allies and Germany, reparation payments also gave rise to a controversy which led successively to the Ruhr invasion, the Dawes Plan with foreign supervision of the Reichsbank and the Young Plan with the Bank for International Settlements as the transfer agency in place of the Reichsbank. Germany's reparations to the Allies were fixed in 1921 at \$32,000,000,000. Payments to the Allies during the operation of the Dawes and Young Plans are estimated by Dr. Hjalmar Schacht at \$5,200,000,000.

The depression of 1930 made it impossible for Germany to meet its obligations, thereby threatening the budgets of the Allied countries with chaos. Fear of a world-wide financial collapse was in the air, not only



because dislocation of international government finance was involved, but also because of the probability of a breakdown of the intricate system of international private finance. Banks began hastily to withdraw their foreign balances only to weaken the position of each and all. Securities were dumped on the market by these banks in an effort to secure liquid assets with which to meet these withdrawals. It was at this time—in June, 1931—that President Hoover suggested a moratorium on Allied debts to the United States if the Allied governments would also declare a moratorium on intergovernmental debts. Great Britain accepted the plan the next day, France about two weeks later, while the other governments fell into line.

Congress, when it met in December, 1931, approved the moratorium but added the following stipulation: "It is hereby expressly declared to be against the policy of the Congress that any of the indebtedness of foreign countries to the United States should be in any manner canceled or reduced; and nothing in this joint resolution shall be construed as indicating a contrary policy or as implying that favorable consideration will be given at any time to a change in the policy hereby declared."

President Hoover's moratorium was followed by a request from the German Government to the Bank for International Settlements on Nov. 19, 1931, for the convocation of a special advisory committee under the Young Plan, on the ground that "they [the German people] have come to the conclusion in good faith that Germany's exchange of economic life might be seriously endangered" by further payment of their annuities. The Board of the Bank for International Settlements responded by appointing a committee of seven to study the question of German reparations, and on Dec. 23, 1931, the committee reported that Germany "will not be able in the year beginning in July next [1932] to

transfer the additional part of the annuity." The committee also drew the "attention of the governments to the unprecedented gravity of the crisis," and stated that "in the circumstances the German problem—which is largely responsible for the growing financial paralysis of the world—calls for concerted action which the governments alone can take."

As a result of these urgent recommendations, the Lausanne conference was convoked on June 16, 1932, in order "to agree to a lasting settlement of the questions raised in the report of the Basle experts and on measures necessary to solve the other economic and financial difficulties which are responsible for and may prolong the present world crisis." The first step taken by the conference on the day it convened was the adoption of a resolution postponing "the execution of payments due to the powers participating in the conference" during the discussions. The conference, which lasted until July 9, 1932, was productive of a series of instruments, the gist of which amounted to a reduction of the reparations debt from the figure of \$32,000,000,000 fixed in 1921, to approximately \$714,000,000.

In the United States this virtual wiping out of all German reparation payments was greeted with a universal feeling of satisfaction, though it was tempered somewhat by the publication on the following day of a supplementary document making the Lausanne agreement conditional upon "satisfactory settlement of the war debts owed to the United States."

The action of the debtor nations in virtually canceling German reparations, but at the same time making cancellation conditional upon similar action by the United States regarding the debts, tied the two problems together and raised the question which Mr. Hoover and Mr. Roosevelt met to discuss on Nov. 22.

On Nov. 10, while Mr. Hoover was still resting at Palo Alto, his Califor-

nia home, after the strenuous effects of the campaign, the State Department received a note from Great Britain categorically stating that the debt problem "as now existing must be reviewed" and asking for a moratorium "for the period of the discussion." On the same day the administration received a note from France calling President Hoover's attention to the "heavy sacrifices" to which she had "voluntarily agreed" at Lausanne and also asking for a reconsideration of the debt problem, with a moratorium.

On receipt of these notes in Washington, President Hoover immediately terminated his vacation and started for the Capital. On his way he dispatched a telegram to President-elect Franklin D. Roosevelt in which he outlined to him the situation and called special attention to the fact that "similar requests are to be made by other governments" and that one debtor nation has defaulted on a payment due Nov. 10 and another debtor nation has served notice to our government of its inability to pay.

The President pointed out to Mr. Roosevelt that the request of the debtor governments went beyond the terms of the Congressional resolution; that, in fact, the Congressional resolution definitely limited the power of the President either in granting the extension now desired or in encouraging further discussions that might lead the debtor nations to hope for a further debt reduction. Moreover, the discussion would necessarily be protracted into the administration of President-elect Roosevelt. "Any change in the attitude of Congress," the President said, "will be greatly affected by the views of those members who recognize you as their leader and who would properly desire your counsel and advice." Because "time is of great importance in all of these questions," the President stated that he hoped that President-elect Roosevelt on his trip through Washington would "find it convenient to stop off long

enough for me to advise with you," adding that he would "be only too glad to have you bring into this conference any of the Democratic Congressional leaders or any other advisers you may wish."

President Hoover's invitation to President-elect Roosevelt immediately aroused the interest of the entire country not only because of the gravity of the situation confronting the political and economic interests of the United States but also because of the unprecedented nature of the proposed conference between Hoover and Roosevelt.

Mr. Roosevelt accepted the President's invitation but also "took the liberty of suggesting that we make this meeting wholly informal and personal," and he moreover advised the President to see the Democratic leaders at his earliest opportunity because, "in the last analysis the immediate question raised by the British, French and other notes creates a responsibility which rests upon those now beset with the executive and legislative authority."

The conference between Mr. Hoover and Mr. Roosevelt was productive of no public statement, but the next day, Nov. 23, President Hoover issued a statement, reviewing the history of the debt, pointing out again that there is no relation between debts and reparations, and calling attention to the action of Congress in December, 1931, which strictly limited his authority. He believed, however, that this Congressional action did not relieve him of responsibility to exert his own opinion. He felt there was no cause for an immediate moratorium but, on the other hand, he believed that the changed world situation, especially the drop in world prices which had increased the burden of debt, made it desirable that Congress appoint a commission to take up with each nation individually and separately an adjustment of the debt based on the changed conditions. Later in the day President-elect Roosevelt issued a

statement substantially endorsing the stand of President Hoover. Instead of favoring the appointment of a commission to discuss the readjustment of the debts, he was in favor of conducting such discussion through regular diplomatic channels, presumably through the Department of State. On Nov. 26 notes embodying these views were sent to the British and French Embassies.

Two courses are open to the United States: (1) To insist upon payment of the debt in full; (2) to comply with the request of the debtor nations to discuss with them the feasibility of scaling down the debt.

If we assume the first course and demand payment and if the debtor nations default, we could not collect what is owing in any other way except by going to war, a suggestion which is ridiculous on its face and altogether out of the question as a method of debt collection.

The question therefore reduces itself to whether the Allies can pay, and if they cannot, whether it is to our interest to force them into a formal default. If the government of the United States should insist on payment it is probable that the important debtor nations, such as Great Britain and France, would probably not submit to a default, but in one form or another would raise through taxation sufficient funds at home with which to buy dollar balances abroad and meet their obligations. Those countries that would be forced into default would have their credit seriously impaired and thereby would still further hinder commercial and financial relations with ourselves and with other parts of the world. Moreover, default would be equivalent to the repudiation of the entire debt. In that event we must face the proposition that, with the exception of the more important countries, a portion of the debt would not be collected even if we insisted upon payment.

More important is the question whether, even if the debts could be

paid, it would be good economic policy for America to accept or expect payment. The problem of receiving payment of such large amounts presents almost as insuperable difficulties for the creditor as making payment presents to the debtor.

It has been stated over and over again that the debtors can pay to the United States only in the form of goods and services, because there is not sufficient gold in the entire world to pay more than one-half of the war debts. The supply of gold in all the central banks of forty-five countries totals \$11,000,000,000, of which the United States already has a little over \$4,000,000,000. If we are to accept the principle that our debtors can only pay us in goods and services, we must permit a larger amount of imports to come into the country than we export. Obviously, then, the payment of so large a debt by the Allies to the United States, irrespective of their capacity to pay, would involve important changes in the commercial policies and activities of the country and would impair industrial activity. Under normal conditions American exports pay for American imports. Debt payment is made possible only when there is a surplus of imports over exports to pay for the debts. This would not only inflict hardships on American producers, but would necessitate the debtor nations forcing exports beyond their economic limits in order to obtain adequate surpluses with which to buy dollar exchange to pay the government debts.

It has been argued that it may not be necessary for Great Britain to have a surplus in the United States—that payments can be made indirectly, for example, by Great Britain selling manufactured goods to Brazil, and that the surplus of exports from Great Britain to Brazil be used to pay for the imports from Brazil into the United States. While this method of paying debts is entirely possible and in fact is common, the debts would still have to be paid by goods. What

is proposed means that American exporters to Brazil would have to reduce their exports in face of the onslaught of British exports there and that instead of giving a favorable balance of trade to Great Britain we would give it to Brazil. By this process we merely shift the favorable balance of trade; we are still confronted with the fact that there must be an excess of imports over exports.

The American people have refused to recognize this principle and, while insisting upon full payment of the debts, have at the same time placed a series of obstacles in the way of debt payment, which can be summarized as follows:

(1) On two occasions they have increased the tariff in order to prevent imports, thereby creating further difficulties for the debtor nations.

(2) The policy of forcing exports from the United States has been in direct opposition to the principle of accepting debt payments. (3) Immigration restriction has stopped the flow of American funds abroad to pay for transportation and other immigration remittances. (4) The shipping policy of the United States, whereby in one form or another domestic shipment was subsidized, took away freight, passenger and other payments for surpluses from foreign shipping companies.

In reply to the statement that we must either collect the war debts or else modify our international commercial policy, it has been suggested that the debtor nations, instead of paying for their debts in goods and services, might borrow the money with which to pay. This, of course, is not paying the debts, but merely transferring them from the government as a creditor to private organizations and private people. Actually, this has been the course of the debts for the past decade. Foreign municipalities and private interests and even governments have floated bonds in the United States, the sale of which created balances in our banks in favor

of those foreign institutions. Taxation in excess of governmental expenditures gave the foreign governments a surplus domestic fund with which to buy those foreign dollars in the United States and use these credits thus purchased for payment of their debts to the United States Government. Thus payments have been effected that have been described and denounced as "robbing Peter to pay Paul." The United States Government by this exchange received a total of \$2,600,000,000, but foreign loans in the form of bonds for the amount of \$9,000,000,000 were floated in the United States and were bought by banks, insurance companies, corporations and private individuals.

Another argument put forward is that the debts could be paid by the foreign governments if they reduced their armaments. But there is in reality no relation between a government's ability to pay its debt to America and the reduction of its expenditures for armaments. Two things are necessary for a foreign government to pay its debt: (1) A surplus of income over receipts. The reduction of armaments by foreign governments would contribute to such surplus. But this surplus of foreign currency must be converted into dollars or, as the experts say, transferred into the United States. This transfer can only take place when there is (2) a surplus of exports over imports from the debtor country to the creditor country enabling the debtor country to buy the balance thus created with the surplus funds in its treasury. If Poland were to beat its swords into plowshares it still would be unable to pay its debts to the United States except by a dollar balance.

Again, it has been suggested that we might use the war debts to bargain with the debtor nations for an enlarged or monopolistic market for American goods. That simply means bribing a foreign government by a cancellation or partial cancellation into reserving their market for American



goods. But once more we would have to permit imports from this foreign country to pay for the exports to it. It boils down to a reciprocity agreement, which involves a debt cancellation. It in nowise invalidates the original proposition that we must permit imports of goods in payment for exports.

Finally, there are those who argue that we do not need any export trade at all, that even during the peak of our foreign trade in 1929 not more than 10 per cent of the goods manufactured in the United States were exported, that the loss of this small percentage of exports would not be heavy, that it might be possible to establish American prosperity by putting the country on a self-sufficing domestic basis and that we may therefore safely leave the debt problem alone, insist upon payment, but put up virtual prohibitive tariff barriers against all imports.

It may be true that only 10 per cent of our total production is exported, but let us remember that in 1929 we exported 17 per cent of our wheat, 30 per cent of our tobacco, 50 per cent of our cotton, 25 per cent of our corn in the form of pork and beef and 40 per cent of our copper. In brief, the abolition of our export

market would destroy from one-fourth to one-half of our agricultural activity. A large part of the present depression, in fact, may be attributed to the disappearance of the export market for agricultural products. Again if we admit that these commodities and others should be exported we must permit imports to pay for them.

Without in any way digressing now on the difficulties of making payments, a problem that confronts the debtor countries, the difficulties of receiving those payments in the United States seem insuperable. It would further petrify the productive capacities of industry, commerce, agriculture and labor.

Looked at realistically, the problem confronting America today is not whether Europe can or ought to pay, but whether our own enlightened self-interest makes it desirable that Europe should pay. If we approach the question from that point of view we cannot help regretting that so much ill-informed comment has been aroused by the requests of the debtor nations for a moratorium and further discussion looking to readjustment of their obligations to us. It is, however, a hopeful sign that recognition of the facts set forth here is gaining ground.

# Maine as a Political Barometer

By ERNEST GRUENING

*Editor, Portland (Me.) Evening News*

"As Maine goes, so goes the nation," has become a political maxim. Did Maine, in the recent election, justify the widespread belief in her dependability as a political barometer? And what is the reason for the interest in what Maine may do, and in how she may "go," in Presidential years? The Pine Tree State, though but thirty-fifth in population among her sister Commonwealths, owes this pleasurable prestige and nation-wide attention to the holding of her elections before all other States. In Maine, primaries take place in June and the interparty contests for Gubernatorial, Congressional, legislative and all lesser offices are decided on the second Monday in September, leaving in Presidential years only the Presidential electors to be voted for in November.

Maine first entered the national spotlight as a political oracle in 1840. That was the year the Whigs capitalized the growing discontent against Jacksonian policies, which in their view had been carried forward by Jackson's political protégé, Martin Van Buren. The contest promised to be close. Displaying a harmony unusual in an aggregation united almost solely by discontent with those in power, the Whigs nominated 67-year-old General William Henry Harrison for President and John Tyler for Vice President. The Democrats renominated Van Buren. The campaign was unprecedented for buncombe and balderdash. A very dubious victory over the Shawnee Indians twenty-nine years before at Tippecanoe, on the banks of the Wabash, had given the old frontiersman the nickname of "Tippecanoe." This was exploited to

the fullest during the campaign to the accompaniment of emblems of log-cabin and barrel, the latter presumably filled with hard cider, as symbols of the candidate's rugged qualities.

In Maine the Democrats or, as they had been called somewhat earlier, the "Democratic Republicans," had had a definite preponderance in the preceding decade. Since 1829, the year of the first interparty contest in that State after the disappearance of the Federalists in 1823, the Democrats had lost only one of the annual Gubernatorial contests. But in 1840 the country was startled to learn that Edward Kent, Whig, elected Governor three years previously (in the off year 1837) and twice defeated in the intervening elections, had beaten Governor John Fairfield, Democrat. Throughout the land this unexpected reversal was hailed as an augury of victory in November with the refrain:

Oh, say, have you heard how Old Maine went?

She went Hell-bent for Governor Kent,  
And Tippecanoe and Tyler, too!

The forecast was fulfilled. Instead of being close, as anticipated, Harrison's victory was overwhelming, with 234 electoral votes to Van Buren's 60.

Since then the results in Maine have been watched with keen interest all over the nation, and those whom they seemed to favor have consistently made political capital therefrom. These, for a generation, have been almost wholly Republicans. Actually, the Maine results, though suggestive of a national trend, have proved false as a political barometer sufficiently often to discredit the down-east oracle. Analysis of the vote since 1860, when Republicans and Democrats

have constituted the major contenders, will enable us to gauge the value of Maine's past omens.

From 1860 to 1876 Maine elected Republican Governors and the nation Republican Presidents. In 1880 the Democrats and Greenbackers in Maine united to form a fusion party, the Greenback Party having in the previous State election in 1879 polled more than double the Democratic vote. The fusion candidate beat the Republican for the Governorship by the scant margin of 169 votes out of 147,802 cast. Without fusion, the Republican would have been elected overwhelmingly. The national result was therefore consistent in the election of the Republican President, James A. Garfield, for in the nation there was no such alliance. Actually the national result followed Maine's more closely than ever before or since. In the popular vote Garfield had only a plurality, not a majority. With 9,218,251 votes cast for four parties (Republican, Democratic, Greenback and Prohibition) Garfield's vote exceeded the Democratic candidate's, Winfield Scott Hancock, by only 9,464, while James B. Weaver, the Greenback candidate, polled 308,578.

Maine failed as a barometer in 1884, when the Republicans elected the Governor by a decisive majority and the nation elected Grover Cleveland. It failed again at Cleveland's second election in 1892. It failed correspondingly to foreshadow the two Wilson victories of 1912 and 1916, when Republicans were chosen Governors of Maine. This discrepancy was all the more remarkable because in the off years 1910 and 1914 Maine elected, in Frederick W. Plaisted and Oakley C. Curtis respectively, the first Democratic Governors since the founding of the Republican Party—unless we except Harris M. Plaisted, the Greenback-Democrat fusion winner in 1880.

Since then Maine has until last Fall been consistently Republican in its State elections, while the nation went Republican in November.

What happened in this last election?

Maine's unprecedented swing to the Democrats last September was an important landmark in the 1932 campaign. Though in the 1930 Congressional elections a sufficient number of Congressional contests had been won by Democrats to give them a slight majority in the House of Representatives, it is well known that the "off-year" elections almost invariably record a swing from the party in power, which presumably has registered its maximum strength at the Presidential election two years previously.

From the beginning of the campaign it was generally known that, owing to the depression, the Republican vote would be substantially reduced in the November election. But it was also known that the Republicans—judging by the results of the last Presidential election—had an enormous margin of safety to offset possible defections. They had, in 1928, secured 444 electoral votes to the Democrats' 87. They could afford to lose 178 of those votes and still win. While individual opinions might differ, there was certainly no widespread, preponderant and firmly held belief in the United States at the start of the campaign that one party or the other was assured of victory. But during July and August a marked and extraordinarily maintained rise in the stock market, coupled with other indications that the long-awaited corner had been turned, gave rise to a far-flung belief that the depression had been conquered and that, by that token, the Republicans' chances had been enormously enhanced. Then on Sept. 12 the news that Maine had "gone Democratic" burst like a bomb-shell on the nation.

There had been expectation that the normal Republican majorities would be reduced—substantially reduced. But Democratic victory—that was scarcely hoped for by even the most sanguine Democrats. And there was

good ground for feeling that Maine would stay in the Republican column. For, although Maine has long been Republican, and Democratic victories few and far between, two events since the previous Democratic victory, in 1914, seemed to portend that Maine, more than ever before, was irretrievably Republican. Those two events were the Eighteenth and Nineteenth Amendments.

Maine, in addition to having a reputation as a political barometer, has the distinction, if it is distinction, of being known as "the cradle of prohibition." As early as 1833 Neal Dow, "father of the Maine law," began preaching against the abuse of liquor, which was intense in his State at that time. For over a decade he continued his forceful campaigning and succeeded in securing the adoption of the first State prohibitory law in 1846. Public sentiment supported this reform, and an even more stringent law was adopted in 1851. These were the first measures of their kind adopted by any State, and, but for one brief period, prohibition has remained on the Maine statute books. Its place there was apparently strengthened when women secured the vote by the Nineteenth Amendment.

In Maine, moreover, the Republican party has been traditionally the "dry" party. And in 1920 that party was the most active and successful in enrolling the newly franchised women. The last two amendments, it was generally conceded, further strengthened the Republicanism of the State.

Continued defeat and absence from the festive board of party victory and spoils sapped the enthusiasm and vitality of what was left of the Democratic party. In many communities once active Democratic organizations had all but disappeared.

This disappearance was speeded by the adoption of Maine's primary law, which permits those not definitely enrolled either as Republicans or Democrats to vote in whatever primary they choose. In consequence, thou-

sands of Democrats, losing interest in a primary contest that was in all likelihood not determining who should be future office holders, voted in the Republican primary, where the real election to office took place. These Democrats were, of course, free to vote for their own party in September, but little by little many of them, from force of habit of voting in Republican primaries, decided that they were politically better off in that party.

How startling were the results of Sept. 12 in Maine may be gauged from the figures when the votes were counted:

In the contest for Governor the vote was: Brann, Democrat, 120,353; Martin, Republican, 118,800, a majority of 1,553 votes, or a swing to the Democrats from the 1928 election of 84,034 votes. How great was the shift this time was revealed by such facts as these: In 1928 the Republican candidate carried every one of Maine's sixteen counties. In 1932 the Democratic candidate carried eight and lost eight. In 1928 the Republican candidate carried eighteen out of twenty Maine cities—all but Lewiston and Biddeford, where dwell large communities of Franco-American Democrats. In 1932 the Democratic candidate carried fourteen out of the twenty cities and, excepting Portland, which he lost by only 778 votes, and South Portland, the other cities he lost were the small, unimportant, down-east cities of Eastport, Calais, Ellsworth and Brewer. In 1928 the Republicans' city majority was 20,546. In 1928 the Democrats' city majority was 9,178.

Maine was redistricted two years ago and the number of its Representatives reduced from four to three. In 1928 Maine elected all four Republicans to Congress. Moreover, their majorities were impressive—over two to one in the First District, just under two-to-one in the Second, over three to one in the Third and Fourth. It was not a contest in any of them—just a procession.



In the First District, Carroll L. Beedy (Rep.) was re-elected over Judge Joseph E. F. Connolly (Dem.) by 41,112 to 39,356 votes. In the Second District, Edward C. Moran Jr. (Dem.), defeated in 1928 and 1930 for the Governorship, beat the highly esteemed veteran, John E. Nelson (Rep.), by 44,490 to 40,703. In the Third District, the Democratic candidate, John G. Utterback, a former Mayor of Bangor, was reported on the first count to have beaten former Governor Brewster by 34,570 to 34,224. Later, gross irregularities uncovered in the vote of sixteen entire precincts along the St. John River, where the population is Franco-American, indicated a probable contrary result by a somewhat larger margin.\* Nevertheless, if viewed apart from local and personal factors, a great shift in party allegiance was recorded, for in 1929 the counties which now compose the Third Maine District went Republican by 44,497 to 14,532.

Out of the seventy-two years since 1860, Republicans have represented Maine in Congress *exclusively* in sixty. In other words, during five-sixths of that time the Democrats

were not represented at all. Since 1860 only five Democrats have been sent by Maine to Congress—and from 1860 to 1862 Maine had six seats in the House; from 1862 to 1882, five, and from 1882 to 1932, four. Never, except in two periods of unusual division among their opponents, have the Democrats managed to get more than one member of Congress. During the rise of the Greenback movement and the great desertions from the local G. O. P., the Democrats managed in the years 1879 to 1883 to win two out of five seats. From 1911 to 1913, during the Bull Moose split, they also had two out of four. But in 1932 they captured one seat, have claim to a second and came close to taking a third.

In the State Legislature the Democrats increased the number of seats from 31 to 56 in the House and from no seats to seven in the Senate.

In short, Maine registered in September the greatest political upset in two generations and inflicted the worst defeat on the Republican party since its founding. If Maine had any value as a political barometer, the local result presaged not merely a Democratic victory in November but an overwhelming one. That the Maine

\*Behind this contest lies a long-standing and bitter G. O. P. factional fight. Though Brewster has always been a Republican, he has been "progressive" and has refused to be bound by the dictates of the State G. O. P. machine, which for the last seven years has been closely identified with the Insull interests. In 1927, as Governor, Brewster vetoed their bill to export hydro-electric power from Maine. The party organization decreed his political extinction. The measure, re-introduced two years later, was signed by Governor William Tudor Gardiner, but defeated by the people in a referendum after a campaign unprecedented for the lavish use of money by the Insull companies. Mr. Brewster was defeated in primary contests for the United States Senate in 1928 and 1930, and decided to run for Congress from the eastern part of the State, where his great popular strength has always been. His victory over a field of four in the primary apparently a foregone conclusion, the Republican organization entered in the Democratic primary, in which three Democrats were contesting, a fourth candidate, John G. Utterback, who had never been affiliated

with the Democratic party. Members of the State G. O. P. organization supported him, the Republican national committeeman from the State working openly for the Democrat, and apparently secured his election by 346 votes. Upon discovery of several hundred votes cast in violation of the electoral statutes, the Governor and Council asked an opinion of the State Supreme Court whether they had a right to exclude these votes. The Supreme Court rendered the opinion that it was mandatory upon the Governor and Council to do so. A motion in the Council would have been carried by four to three, but Governor Gardiner added his vote in opposition, making a four-to-four tie, thus defeating the motion, which would have meant certifying Brewster's election. It is significant that two of the three members of the Council voting against the motion were revealed by the Federal Trade Commission as having been on the secret Insull payroll in the export of power fight in 1929. The result of the Third District election is now at a deadlock, neither candidate having received a certificate of election. The Maine courts or Congress may render a further decision.

result was widely interpreted as an omen of Democratic victory in the eight weeks between the Maine and national elections is a matter of record. The Democrats became jubilant; the Republicans made the episode the occasion for pleas for a more intensive campaign. For the first time in this generation the Democrats were able to capitalize the Maine result; the Republicans were obliged to attempt to discount it. Considering the many years in which they had utilized the earlier Maine result for its psychological value on the electorate, they were unable to disparage the Maine showing, nor did they attempt to do so. Instead, they spread the impression that the earlier vote in Maine—like the first telltale straw votes—did not represent the election day convictions of the American people, that there had been a subsequent revulsion of feeling in favor of the Republicans, an eleventh-hour surge. The propaganda apparently proved both baseless and ineffective. But Maine as a barometer redeemed its tarnished reputation when forty-two out of forty-eight States on Nov. 8 gave the Democrats the largest electoral majority in American history.

One question remains to be answered: How was it that Maine, Democratic in September, was not only found in the Republican column in November but by the substantial majority of about 40,000? Several factors contributed to this result. While the pre-September campaign in Maine was waged on national policies, underneath the surface there was considerable dissatisfaction with the Republican State administration, which had been deemed by many, without regard to party affiliation, to have been inept and incompetent in the last four years. There was a widespread feeling that "the Kennebec gang" should be removed from office. The Republican candidate, Senator Martin, a resident of the State capital, nominated in the primary out of a field of five, suf-

fered somewhat from the odium which the preceding administration had incurred. He likewise, though little definite was alleged against him, was deemed a politician of the fence-straddling type, a "glad-hander" who was "all things to all men," who committed himself on as few issues as possible. His failure to reply to a newspaper questionnaire, which was fully and frankly answered by all but one of the other Republican candidates, and by all five of the Democratic candidates in the primaries, including, of course, his successful opponent, doubtless strengthened the prevailing impression about Senator Martin.

Next, the Democrats were united as they seldom have been. The day after the primary the four defeated Democratic Gubernatorial candidates united their strength and followers with those of the winner and worked wholeheartedly for the success of their party. No such harmony prevailed in the Republican camp. Finally, the Republicans were taken by surprise. For two years John H. Dooley, the Democratic State Chairman, had been quietly organizing the State. Committees were formed where none had existed for years. They functioned on Sept. 12.

But that election over, the Democrats, exhausted by their hard struggle, made with inadequate funds, relapsed into inactivity. Doubtless they felt that they had made their contribution to national success by their September victory. The Republicans, on the other hand, stung by defeat, worked hard to redeem themselves. They campaigned vigorously in the weeks preceding election, used the radio extensively and spent large sums in newspaper advertising. In consequence, Mr. Hoover and Mr. Curtis defeated Mr. Roosevelt and Mr. Garner—in Maine.

But Maine has demonstrated that despite occasional lapses the State barometer of September can still forecast November weather for the nation.

# American Policy Toward Russia

By VERA MICHELES DEAN  
*Research Staff, Foreign Policy Association*

THE decisive defeat suffered by President Hoover, long regarded as a leading opponent of Soviet recognition, has aroused considerable interest in Moscow, where it is hoped that the new administration may undertake a re-examination of American policy toward the Soviet Union. This hope is strengthened by the fact that public opinion in the United States is probably more favorable to recognition today than at any time during the past fifteen years—a development which may be attributed in part to the expectation that recognition will bring an increase in Soviet-American trade, and in part to the realization that peace in the Far East can be permanently assured only with the cooperation of the Soviet Union.

In view of the renewed discussion of American relations with the Soviet Union, it is of interest to trace the course of our policy and to examine the principles on which it is based.

The abdication of Czar Nicholas II in March, 1917, and the establishment of a provisional government with Prince Lvov at its head, was greeted in Western countries as a triumph of democracy and as an assurance that the Russian people would prosecute the struggle against the Central Powers with renewed vigor. Mr. Francis, American Ambassador to Russia, declared that the revolution was a practical realization of the principle of "government by the consent of the governed," and urged prompt recognition by the United States of the Provisional Government. This took place on March 22.

Although the Provisional Government had been forced from the start

to share political power with the Soviet of Workers' and Soldiers' Deputies, the United States continued to regard the former as alone representing the Russian people. The entrance of the United States into the World War early in April having materially increased our interest in Russia's future, President Wilson appointed a special mission to Russia, headed by Elihu Root, former Secretary of State. The task of this mission was "to manifest to the Russian Government and people the sympathetic feeling which exists among all classes in America for the adherence of Russia to the principles of democracy," and to establish a basis for common action against the autocracy of the Central Powers. The Root mission, whose personnel was criticized by Russian Socialists as unduly conservative, apparently confined itself to studying the attitude of the landowners and the bourgeoisie represented in the Provisional Government, and on his departure in July Mr. Root stated that he and his colleagues had "found no incurable or organic malady in the Russian democracy." Similar optimism was expressed by John F. Stevens, head of the American railway mission sent to Russia in May, 1917.

Meanwhile, Boris Bakhmeteff, the official representative of the Provisional Government, had been received in Washington on July 5, when President Wilson voiced the belief that Russia would "assume her rightful place among the great free nations of the world." The United States, which had already advanced \$100,000,000 to the Provisional Government in May, granted further credits to M. Bakh-

meteff for the purchase of war material. The money thus lent to the government of Prince Lvov, who in July was succeeded as Prime Minister by Alexander Kerensky, totaled \$187,729,750 by November, 1917, when credits were discontinued, and constitutes the principal of the Kerensky debt to the United States.

On Nov. 7, 1917, the Bolsheviks, who had gradually gained control of the Soviets of Workers' and Soldiers' Deputies, established a "dictatorship of the proletariat." In addition to announcing its intention to terminate the war, the Soviet Government immediately nationalized the land, took possession of banks and factories and separated the church from the State and the school from the church. The principles proclaimed by the new government not only challenged existing political and economic institutions but created the danger that Germany, having come to terms with Russia, would concentrate all its forces on the western front. In his message to Congress of Dec. 4, 1917, President Wilson referred to the November events as "the sad reverses which have recently marked the progress of their [the Russians'] affairs toward an ordered and stable government of free men." Refusing to communicate officially with Trotsky, People's Commissar of Foreign Affairs, Ambassador Francis left Petrograd for Vologda in February, 1918, but maintained unofficial contact with the Soviet Government through Raymond Robins, head of the American Red Cross, who remained in Petrograd until May, 1918.

The Soviet Government had meanwhile initiated peace negotiations with the Central Powers at Brest-Litovsk. President Wilson, however, believing that the Russian people, as distinguished from "their present leaders," might yet be won to the cause of the Allies if correctly informed regarding allied war aims, set forth the fourteen points of his peace program in a historic address before both houses of

Congress on Jan. 8, 1918. The sixth of these points urged

The evacuation of all Russian territory and such a settlement of all questions affecting Russia as will secure the best and freest cooperation of the other nations of the world in obtaining for her an unhampered and unembarrassed opportunity for the independent determination of her own political development and national policy and assure her of a sincere welcome into the society of free nations under institutions of her own choosing.

The American Government, while maintaining an attitude of "watchful waiting," expressed no open hostility to the Soviet régime, and believed that the Russian people were entitled to the aid and sympathy of the United States in a period of political transition. Nor was this attitude altered when the Soviet Government dissolved the Constituent Assembly which had been finally convened in January. Even after the publication on Feb. 8, 1918, of the Soviet decree annulling all State debts contracted "by the governments of Russian landowners and Russian bourgeoisie," which included the Kerensky debt to the United States, President Wilson, in a message to the All-Russian Congress of Soviets on March 11, stated that, while the American Government "unhappily" could no longer render direct and effective aid, it would still seek "to secure to Russia once more complete sovereignty and independence in her own affairs."

The Soviet congress replied with a resolution which has been described as "a slap in the face." After expressing gratitude for the sympathy of the American Government, this resolution voiced the hope that "the happy time is not far distant when the laboring masses of all countries will throw off the yoke of capitalism and will establish a Socialist state of society, which alone is capable of securing just and lasting peace, as well as the culture and well-being of all laboring people."

Neither this resolution nor the ratification of the Brest-Litovsk treaty in March, 1918, which ended the war be-



tween Russia and Germany, shook the conviction of the United States that the Russians remained its "friends and allies against the common enemy." Acting Secretary of State Polk supported this view by arguing, in a memorandum of March 12 to the Japanese Chargé d'Affaires, that there was "in fact, no Russian Government to deal with," and that "the so-called Soviet Government upon which Germany has just forced, or tried to force, peace, was never recognized by the government of the United States as even a government *de facto*. None of its acts, therefore, need be officially recognized by this government."

Russia's withdrawal from the World War did not long remain unchallenged. In March, 1918, the Allies had urged American participation in an armed intervention, whose avowed purpose was to strengthen the Eastern front, disrupted by Russia's defection, and to protect Czechoslovak prisoners, then on their way to the Pacific, and thence through the United States to France, against alleged attacks by Austrian and German prisoners. President Wilson, who had at first opposed intervention, apparently yielded to allied pressure and to American public opinion, which favored some form of military assistance to Russia against Germany, and on Aug. 3, 1918, issued a statement officially initiating American intervention. The United States was to cooperate with France and Great Britain in North Russia and with Japan in Siberia.

That this decision had been reached only with reluctance was indicated by the statement itself. The opening paragraph declared that "military intervention would be more likely to add to the present sad confusion there than to cure it, and would injure Russia rather than help her out of her distress," and that it was more likely to become "merely a method of making use of Russia than to be a method of serving her." Moreover, it was emphasized that the object of American

intervention was "to guard military stores which may subsequently be needed by Russian forces and to render such aid as may be acceptable to the Russians in the organization of their own self-defense." An American expeditionary force of 7,000 men, commanded by General William S. Graves, was accordingly sent to Vladivostok in August, and a contingent of American troops was landed at Archangel in September.

Begun as an act of war against Germany, the Allied intervention was continued after the armistice of November, 1918, presumably to enable the Russian people freely to choose their political institutions. The assistance of the Allied governments, notably the French and British, to such counter-revolutionary leaders as Wrangel, Denikin and Kolchak, gave the intervention a distinctly anti-Soviet character, which the Allies did not try to disprove. The end of the civil war in 1920, however, and the establishment of undisputed Soviet control over what had been the Russian Empire, removed all justification for the continuance of intervention. The American expedition to North Russia had been already withdrawn in June, 1919, and on April 1, 1920, the last of the American troops left Siberia.

With Allied forces still on Russian soil, the Paris Peace Conference attempted to define its policy toward the Soviet Government. Lloyd George and Wilson wished to invite representatives of all Russian parties, including the Bolsheviks, to Paris, but Clemenceau and Orlando refused to deal with the Bolsheviks, despite Lloyd George's arguments that the latter were "the people who at the present moment were actually controlling Russia." Finally it was agreed that all organized Russian parties should be invited to meet at Prinkipo, in the Sea of Marmora, and a proclamation to that effect, drafted by President Wil-

son and approved by the Council of Ten, was issued on Jan. 22. The Soviet Government accepted the invitation on Feb. 4, but the other parties refused to negotiate with "traitors" and "criminal usurpers."

Undismayed by this failure, the United States and Great Britain attempted to deal directly with the Soviet Government. William C. Bullitt, attached to the American delegation to the Paris Peace Conference, was sent to Moscow in February to study Russia's political and economic condition—a mission which was known only to the American and British delegations in Paris. Mr. Bullitt interviewed Lenin, Chicherin and Litvinov, from whom he obtained the terms that the Soviet Government was prepared to discuss at a peace conference on neutral territory. The Bullitt report to President Wilson, which stated that the Soviet Government had become permanently established, was never formally submitted to the peace conference, nor was it published at that time. Preoccupation with the terms of the German peace treaty and renewed hope that Kolchak might soon overthrow the Soviet Government caused the abandonment of the negotiations undertaken by Mr. Bullitt. Intercourse with the Soviet Government ceased completely, and the Allied and associated powers, acting through the Supreme Council, sought to effect Russia's economic isolation—an aim that was not abandoned until 1922.

The United States, which after 1919 wished to avoid further entanglements in Europe, appeared to ignore the existence of the Soviet Government. No export licenses were issued for trade with Russia, and M. Bakhmeteff continued to be recognized as Russian Ambassador until 1922, although the government he represented had long since passed into oblivion. The motives determining American policy or lack of policy toward the Soviet Govern-

ment were set forth in a note of Aug. 10, 1920, addressed by Secretary of State Colby to Baron d'Avezzano, Italian Ambassador in Washington, who asked for the views of the United States concerning the war then in progress between Russia and Poland. [The full text of the note was reprinted in *CURRENT HISTORY*, August, 1930, pages 916-918.]

The Colby note, the main principles of which have been reaffirmed by successive Secretaries of State, reiterated the sympathy of the American Government "for the efforts of the Russian people to reconstruct their national life upon the broad basis of popular self-government" and its faith in Russia's future. The United States was in hearty accord with the desire of the Allies for "a peaceful solution of the existing difficulties in Europe," but was unable "to perceive that a recognition of the Soviet régime would promote, much less accomplish, this object," and was therefore "adverse to any dealings with the Soviet régime beyond the narrow boundaries" of an armistice. "The rulers of Russia," Mr. Colby declared, "do not rule by the will or the consent of any considerable proportion of the Russian people." While the United States had no desire to interfere in Russia's internal affairs, it hoped that the Russians "will soon find a way to set up a government representing their free will and purpose." The unwillingness of the United States to recognize the Soviet Government, however, was determined not by its disapproval of Russia's political institutions, repugnant as these were to American traditions, but by the attitude of Bolshevik leaders with respect to debts and propaganda. The Soviet Government's "disregard" of international obligations and its connection with the Third International, which advocated world revolution, constituted insuperable obstacles to recognition.

In the view of this government [Mr.

Colby proceeded], there cannot be any common ground upon which it can stand with a power whose conceptions of international relations are so entirely alien to its own, so utterly repugnant to its moral sense. There can be no mutual confidence or trust, no respect even, if pledges are to be given and agreements made with a cynical repudiation of their obligations already in the minds of one of the parties. We cannot recognize, hold official relations with, or give friendly reception to the agents of a government which is determined and bound to conspire against our institutions; whose diplomats will be the agitators of dangerous revolt; whose spokesmen say that they sign agreements with no intention of keeping them.

M. Chicherin, People's Commissar of Foreign Affairs, answered Mr. Colby's note in a communication transmitted to Baron d'Avezano by Ludwig Martens, who had acted as unofficial Soviet representative in the United States since 1919. The Soviet Government declared that "the elementary economic needs of the peoples of Russia and of other countries demand normal relations and an exchange of goods between them," and that it was fully aware that "the first condition of such relations is mutual faith and non-intervention on both parts." No reply was returned to this communication, and Mr. Martens not only failed to be received by the State Department but was forced to leave the United States in 1921. On July 7, 1920, however, the American Government removed the restrictions on trade and communication with Russia, stating, however, that "political recognition" was neither granted nor implied, and that individuals and corporations engaging in Russian trade would be acting at their own risk, since "the assistance which the United States can extend to its citizens who engage in trade or travel in some foreign country whose government is recognized by the United States cannot be looked for in the present case."

President Harding's election in 1920 led the Soviet Government to hope that the new administration might prove more favorable to recognition.

On March 21, 1921, M. Litvinov, then Soviet representative in Estonia, transmitted an appeal from Kalinin, President of the All-Russian Central Executive Committee, to the new American Government to re-establish business relations and remove the wall existing between the two peoples. This appeal met with no encouragement. On March 25, 1921, Secretary of State Hughes replied through the American Consul at Reval that the American Government viewed "with deep sympathy and grave concern the plight" of the Russian people, and desired "to aid by every appropriate means in promoting proper opportunities through which commerce can be established upon a sound basis." He agreed with Mr. Hoover, the new Secretary of Commerce, however, that under the existing economic system Russia could make no effective return to production and therefore could not develop its foreign trade. "It is only in the productivity of Russia," said Mr. Hughes, "that there is any hope for the Russian people, and it is idle to expect resumption of trade until the economic bases of production are securely established." These economic bases, in his opinion, included "the safety of life, the recognition of firm guarantees of private property, the sanctity of contracts and the rights of free labor." Until the American Government had been convinced that fundamental changes "involving due regard for the protection of persons and property and the establishment of conditions essential to the maintenance of commerce" had taken place, it was "unable to perceive" that there was "any proper basis for considering trade relations."

The view that no economic reconstruction could take place in Russia until the Soviet system had been abandoned or modified was further developed by Mr. Hughes in March, 1921, in a letter to Samuel Gompers, president of the American Federation of Labor, in which he described Russia

as a "gigantic economic vacuum." Again on March 8, 1922, when declining the invitation of the Italian Government to the Genoa conference, Mr. Hughes declared that "economic conditions which will permit Russia to regain her productive power" could not be secured "until adequate action is taken on the part of those who are chiefly responsible for Russia's present economic disorder."

The attitude of the American Government, however, did not prevent Mr. Hoover, as Director-General of the American Relief Administration, from sponsoring extensive relief to famine-stricken Russia in 1921-23. The work of the A. R. A., which furnished over 90 per cent of the relief extended to Russia during this period, was described in the United States as "unofficial," although it was largely financed by Congressional appropriations.

Replying on March 21, 1923, to an appeal from the Women's International League for Peace and Freedom, which stated that changed conditions in Russia made American policy no longer applicable, Mr. Hughes declared that internal conditions alone did not determine recognition. "The fundamental question in the recognition of a government," he said, "is whether it shows ability and a disposition to discharge international obligations. Stability, of course, is important; stability is essential. Some speak as though stability was all that was necessary. What, however, would avail mere stability if it were stability in the prosecution of a policy of repudiation and confiscation?" Not only had the Soviet Government, in his opinion, shown no disposition to fulfill "valid obligations" but it had given no sign that it would abandon its "destructive propaganda." Among the international obligations which the Soviet régime had refused to fulfill, Mr. Hughes, in a letter of July 19, 1923, to Samuel Gompers, mentioned "the protection of the persons and property of the

citizens of one country lawfully pursuing their business in the territory of the other and abstention from hostile propaganda by one country in the territory of the other."

President Coolidge reaffirmed the policy of non-recognition in his message to Congress on Dec. 6, 1923. The United States, he said, did not propose "to enter into relations with another régime which refuses to recognize the sanctity of international obligations," or "to barter away for the privilege of trade any of the cherished rights of humanity." The President, however, after expressing willingness "to make very large concessions for the purpose of rescuing the people of Russia," added:

Whenever there appears any disposition to compensate our citizens who were despoiled, and to recognize that debt contracted with our government, not by the Czar but by the newly formed Republic of Russia; whenever the active spirit of enmity to our institutions is abated; whenever there appear works meet for repentance; our country ought to be the first to go to the economic and moral rescue of Russia.

The hopes aroused by this message in Russia were doomed to failure. On Dec. 16, 1923, Chicherin cabled President Coolidge that the Soviet Government was ready to discuss all the problems mentioned in the President's message on the basis of the principle of mutual non-intervention in internal affairs, and that it was fully prepared to open negotiations with a view to the satisfactory settlement of American claims, "on the assumption that the principle of reciprocity will be recognized all around," thus indicating the existence of Soviet counter-claims. On Dec. 18, 1923, however, Mr. Hughes stated that

there would seem to be at this time no reason for negotiations. \* \* \* If the Soviet authorities are ready to restore the confiscated property of American citizens or make effective compensation, they can do so. If the Soviet authorities are ready to repeal their decree repudiating Russia's obligations to this country and appropriately recognize them, they can do



so. It requires no conference or negotiations to accomplish these results, which can and should be achieved at Moscow as evidence of good faith. The American Government has not incurred liabilities to Russia or repudiated obligations. Most serious is the continued propaganda to overthrow the institutions of this country. This government can enter into no negotiations until these efforts directed from Moscow are abandoned.

Secretary of State Kellogg reiterated these views on April 14, 1928, when he informed the Republican National Committee that the continuance of Bolshevik propaganda "made vain any hope of establishing relations on a basis usual between friendly nations," and that the experience of European countries had shown "that the granting of recognition and the holding of discussions have served only to encourage the present rulers of Russia in their policy of repudiation and confiscation." Mr. Stimson likewise declared in December, 1930, that the United States would not recognize the Soviet Government until it had acknowledged its debts, guaranteed proper compensation for American property confiscated in Russia, and ceased to agitate for the overthrow of the American Government by revolution.

Nor was American policy modified by the Soviet Government's adherence in August, 1928, to the Anti-War Pact sponsored by Mr. Kellogg. Testifying before the Senate Committee on Foreign Relations in December, 1928, Mr. Kellogg stated that "adhering to a multilateral treaty that has been agreed to by other people is never a recognition of the country." This view was later opposed by Judge John Bassett Moore, who held that "by this act we necessarily recognized the Soviet Government." Yet when China and the Soviet Union clashed over the Chinese Eastern Railway, Secretary Stimson, through the French Ambassador in Moscow, reminded the Soviet Government in a note of Dec. 2, 1929, of its obligations under the Anti-War Pact, and warned it that its standing

"in the good opinion of the world" will necessarily in great measure depend on the manner in which it carried out "these most sacred promises." This note, coming just after the initiation of Sino-Soviet negotiations to settle the Chinese Eastern Railway controversy, aroused the ire of the Soviet Government, which declared on Dec. 3 that the American note, which had brought "unjustifiable pressure" to bear on the negotiations, could not be considered "as a friendly act," and expressed amazement that the United States, which had not recognized the Soviet Union, deemed "it possible to apply to it with advice and counsel."

This rebuke, which in the opinion of some observers injured the Soviet Government's chances for recognition, was followed by a complete standstill in official Soviet-American relations. Trade between the two countries, however, appeared unaffected. American exports to the Soviet Union, consisting chiefly of machinery and industrial equipment, rose from \$4,550,000 in 1923 to \$114,398,537 in 1930, when the United States was second only to Germany as a source of Soviet imports. The decline in Soviet-American trade which began in 1931 and reached an acute stage in the first eight months of 1932, when exports to the Soviet Union showed a drop of 90 per cent as compared with the preceding year, was attributed by Soviet trading agents to the difficulty of obtaining credits in the United States and to restrictions on Soviet exports to this country. Alarmed by the serious loss of trade with a country which, they declare, offers an unlimited market for manufactured goods, many political and business leaders have demanded the recognition of the Soviet Government as the only method of obtaining a share of Soviet orders, which now go principally to Germany and Great Britain.

A newspaper poll taken showed that thirteen, if not fourteen, members of the Senate Foreign Relations Commit-

tee either supported recognition of the Soviet Government or would vote for a resolution favoring such action. Advocates of recognition in both houses of Congress stressed two main points—the desirability of obtaining a market in the Soviet Union at a time when we are faced by increasing unemployment, and the danger that Japan might interpret non-recognition as a sign that the United States would welcome or at least not oppose the downfall of the Soviet Government.

Senator Robinson of Arkansas, speaking at Atlanta on April 21, declared that he favored recognition for the purpose of “promoting amicable international relations and stimulating our foreign commerce”—an opinion more strongly expressed by Senator Johnson of California when he said that “in these times it is simply economic idiocy for America, by its policies, to preclude Americans from trade and commerce which so readily could be obtained.” Failure to recognize the Soviet Government was denounced as “an economic crime” by Representative Rainey of Illinois, Democratic floor leader in the House, while on April 22 Representative Sabath introduced a resolution favoring recognition.

According to Senator Johnson, however, trade is not the only thing at stake. A spark, he believed, might set off the Manchurian powder barrel at any moment:

Japan seems to think that Russia's downfall would be acclaimed the world over. Some gesture on the part of the United States, therefore, could well be made to rid her of any such ideas. \* \* \* Japan would not have the moral support of this country in an attempted conquest of Russia, and we should make this clear. Some move in the direction of normal relationships with Russia at this time would do more to remove perils from the Far East, and therefore from the world in general, than any other single act.

Of the various obstacles to recognition, all but two have now lost their significance. The stability of the Soviet Government is no longer ques-

tioned, and its political institutions appear less repugnant to American public opinion than in the past. Nor is it argued today that the Soviet Union represents an “economic vacuum” which offers no opportunities for foreign trade. Judge Moore, moreover, has emphasized the fact that recognition does not imply approval of the political or economic institutions of any government, whether that of the Czar or of the Soviets. Today, however, as in 1923, the United States demands, as a preliminary to recognition, that the Soviet Government acknowledge its obligation to repay the Kerensky debt and to compensate American citizens for confiscated property—claims which now total over \$800,000,000 with interest—and that it cease to encourage Communist propaganda in this country through the agency of the Third International.

While the Soviet Government refuses to acknowledge its obligation to repay the Kerensky debt, on the ground that “no people is bound to pay the price of chains fastened on it for centuries,” it has expressed its willingness to negotiate a settlement with the United States. On the other hand, the Soviet Government has advanced counter-claims for property damage and loss of life caused by American intervention in Russia, the exact amount of which it has never specified. With respect to propaganda, the Soviet Government has declared that it has no direct connection with the Third International and that it is ready to establish relations on the basis of mutual non-intervention in internal affairs. Although the overtures made by the Soviet Government have received no encouragement from the United States, competent observers believe that the existing deadlock is by no means hopeless. Since recognition is primarily a matter of policy, it is not impossible that the desire to obtain Soviet trade and the need for Soviet cooperation in the Far East may eventually alter American policy toward the Soviet Government.

# The Australian Political Seesaw

By C. HARTLEY GRATTAN

[An American student of social problems and a literary critic as well, Mr. Grattan visited Australia some time ago in an attempt to learn about the forces shaping the destiny of the Commonwealth. Mr. Grattan is the author of *Why We Fought* and of the recently published biographical study, *The Three Jameses*.]

AUSTRALIA has never succeeded in defining itself to the international mind. Yet its history offers an unusual opportunity for the student of social evolution. It is short; it falls into fairly sharply defined units; it proceeded at a rapid pace, and the situation it produced, that of today, contains all its original factors.

Founded in 1788 as a penal colony, Australia received convicts until the early 1850s. But it was not long confined to such narrow limits, for adventurous spirits soon realized what the country was worth for permanent settlement. The military and civil administrators early began to seek their own profit and some of them gave up their positions that they might be free to exploit the land. They were joined by free settlers from England, who were allowed in the country at first over the protests of the keepers of the convicts. The convicts, as one might guess, were an important element in those early days, for they provided cheap labor while they were serving their sentences as well as afterward. Many convicts were given freedom only on condition that they remained in the country. In some cases they became pioneers themselves at the end of their terms and were eventually absorbed into the general population.

The outstanding figure in this first period of Australian history was John Macarthur (1764-1834). He may be

said to be the economic father of the country. He it was who introduced sheep into the land, fought for the rights of the free settlers, sometimes in very ill-advised ways, and managed in his lifetime to lay the foundations of the pastoral industry which still remains basic in the national economy. The pastoralists, often referred to as the "squattocracy," became what they still are—the most conservative group in Australian life. They dominated the country until the gold rushes of the 1850s introduced a dissident and more numerous element into the population. As the gold-seekers' opportunities became fewer, the erstwhile "diggers" began to demand that they be absorbed into the Australian social system. They wanted land for farming, hitherto a neglected industry, and to this end they asked the State to make inroads upon the vast areas held by the squatters. Eventually a system was set up under which prospective farmers "selected" holdings when the areas made available were thrown open to them. The land thus acquired was called a "selection" and the farmer became known as a "selector." The process was attended by political manipulation and corrupt practices of various kinds. Thus was laid another of the foundations of the Australian economic structure. The country now had a farming class as well as the "squattocracy."

The next great development was that of the workers in the cities, hitherto commercial rather than industrial centres. As the farming group established itself, it became a sufficiently numerous class to stimulate secondary industries. While manufacturing is still inferior to the

pastoral and farming industries as a productive force, it has made the workmen of primary importance in Australian life. It is this class, indeed, and its sympathizers and representatives that has given Australia its peculiar social complexion as much as any single group. Strongest numerically, it has been able to make great gains because of its ability to use a liberal suffrage for its own purposes.

Finally, among the major "interests" in Australian society and politics is that of the group of business men able to protect its interests in politics only by temporary alliances with the farmers, the "squattocracy" and that large mass of undifferentiated citizens known as the "general public." But even this general public is an unreliable quantity, for it is not stable enough to support any party in power for any considerable length of time. It constitutes the floating vote which oscillates between the Labor party and the Nationalist party without allowing either to gain permanent ascendancy.

The labor movement, with its political organization and its trade unions, provides the largest and most cohesive group that is contending for power. Not only are the industrial workers organized in trade unions but also all kinds of labor in the primary industries. Even when the Labor party is not in office it possesses tremendous influence and is able to prevent any startling deviations from its policies. Thus it comes about that labor gives the whole of Australia's political and social outlook its special character. Australian conservatism is tempered by the necessity of keeping fairly close to the labor line, and while its motives are those of the profit-making classes everywhere, in practice it amounts to little more than a greater susceptibility to the disciplines which the foreign bankers are ever trying to impose upon the Australian people. For this reason the conservative elements are, particularly in times of adversity, more willing

to adopt economy measures in the administration of State business enterprises and social services.

To understand the situation thoroughly, an effort must be made to define the labor outlook. As Professor W. K. Hancock has pointed out in his brilliant and witty book, Australia was founded and developed after the French and American Revolutions and hence in a world more or less dominated by the middle-class outlook. Australia has been "made" by people acutely conscious of their "rights." But there has been a counter-drive toward collectivism which is disposed to grant the State not only the power of an arbiter between contending individuals, as in the regulation of wages and labor conditions, but also the power to initiate and carry out vast enterprises for the public good. Thus, in a country which was and is pastoral and agrarian in basis there has developed a strong State.

The explanation is that, however egalitarian the Australian may be, he has never been a "rugged" individualist in the American sense. He has always looked to the State for help in mastering the huge continent at his disposal. And not only was that continent settled by people impregnated with the bourgeois outlook but during a period when technology was making rapid strides, during the industrial revolution. In a land of magnificent distances transportation was of primary importance. Once the railway, for instance, was a practical reality, it became a crying necessity in Australia as an implement in the pioneering process. The State was called upon to supply it and did.

Moreover, when Australia's secondary industries began to expand they brought in a laboring class which was already touched by an incipient class-consciousness. English chartism had run its course, but had left certain influences in the minds of the workers who emigrated to Australia. The humanitarian outlook had gained a foothold in the British mind which



made the leaders in Australian life sympathetic to labor's demands and willing to impose upon the State the burdens the humanitarian program entailed. The Australian labor "interest" was very early articulate and powerful, and it confronted an opposition which, while not weak and even on occasion ruthless, was nevertheless far from being as hard and unyielding as in other countries. The result has been that while labor has been unwilling to accept social services from employers, it has taken them freely from the State.

Yet there is little to please the Marxist ideologue in the Australian situation. Australian labor is not Marxist; it seeks all it can get, of course, but it is more humanitarian than anything else and it has wedded itself to a sort of State capitalism (or, if you like, State socialism) that secured middle-class cooperation. It would, perhaps, clarify the situation if the labor leaders of Australia were better thinkers, especially if clarity is to be reckoned an ultimate social virtue. It would, indeed, be rather easy to impose a Marxian interpretation upon the Australian set-up as it presents itself today, but only by distorting the facts. It is the better part of wisdom, therefore, to recognize the confusions and complexities and admit that in Australia we have, as has been said, "socialism without the theory."

It may be strongly doubted whether Australian labor declarations for the socialization of industry really mean anything in particular. Sometimes they seem to be printed in the party program as a sort of sop to the definitely radical forces in the ranks. It is significant that Australian labor is nationalistic. As a complete group, it has no international affiliations. Most of the leaders seem quite satisfied to push the State as far as they can along humanitarian lines, to utilize the State as an instrument in the struggle for higher wages, shorter hours and various measures of social welfare (supplementing their political

power and legalistic concessions by strikes and threats of strikes) and let the matter go at that. But an indispensable element of real radicalism seems to be lacking—the aspiration to take control of the entire economic system and assume all the burdens such a course implies.

All this works out very neatly into an explanation of the peculiar dead level characteristic of Australian life. Probably no country in the world is such a paradise of mediocrity or deserves less the distinguished personalities it periodically throws off. The Australian labor group, influential as it is in determining the tone of Australian life, contents itself far too easily with a wage that more or less automatically adjusts itself to the fluctuations of prices, with a standard of living controlled by that wage which is extraordinarily stultifying, and with a considerable amount of protected leisure which is spent in sport, gambling and other amusements, some interesting enough, but none of them of cultural import in the best sense. Unfortunately no group has sufficient vigor to shake the country out of its intellectual lethargy. Artists in Australia struggle with the most appalling handicaps, and while their work is of higher significance than is generally recognized, it would be yet higher if the community showed itself responsive to efforts to endow it with a cultural life.

Labor would undoubtedly rule Australia with an iron hand if—but behind that "if" are arrayed opposing forces (in politics, the Nationalists) against which it must battle and to which it must offer concessions. When in office it must not invade the rights of the propertied classes too far or become too arrogant in its attitude toward them or it will lose the next election. If it does advance pretty far on occasion, it almost invariably executes a quick counter-march and throws a sop to the enemy. A favorite sop has been the tariff. Curious as it may seem, Australian labor favors

the tariff. Its reasoning is not Marxian here any more than in any other of its jumbled ideas. A tariff not only keeps the propertied classes satisfied; it also, according to labor reasoning, stimulates manufactures, induces the establishment of new industries and so adds to the opportunities of labor.

Thus far the academic economists, and the Nationalist disciplinarians to a lesser extent, have tried in vain to point out that the tariff, far from benefiting labor, imposes burdens on Australia under which labor inevitably suffers. The tariff drives up prices and drives down industrial efficiency and has not shown itself a satisfactory method for the encouragement of industry. The tariff imposes terrific financial burdens on the Australian people to which they are not necessarily heir in this day and age. But Australian labor is not prepared to make concessions for the sake of industrial efficiency. The subtler implications of the tariff are ignored and the obvious "gains" are reckoned good.

The tariff, then, encourages the development of a subsidized economy for which it is impossible to see any justification either immediate or remote. It is, however, a somewhat indirect subsidy. In addition, direct subsidies of an even more uneconomic character help to produce a situation that can be regarded only as a drag upon Australian life. Yet it would be difficult to raze the crazy structure without ruthlessly plunging the nation into terrifying disorders. Subsidies are granted to various branches of tropical agriculture, such as sugarcane growing, to the dried fruit industry, which is chiefly carried on in irrigated country, and to dairying; while prices are artificially fixed and a tariff granted to keep out identical products from foreign countries. When Australian production runs beyond domestic capacity for consumption, the surplus is dumped upon the world market. The loss is suffered, of

course, by the Australian population.

It is argued, however, that the Australian standard of living is sustained, whereas if the industries were to compete with the world, the Australians employed in them would sink to the level of foreign workers. Moreover, and most importantly with regard to tropical agriculture, such a tariff policy insures the retention of the "White Australia" policy, a racial and economic policy of tremendous emotional content, by making it possible to use white labor in the tropics. Australia has always tried to extend her ideas of artificially sustained economic standards into the British Empire at large, and at the recent Ottawa conference sought to do so with increased vigor.

Australia must obviously sell something in the world market at a profit to provide a national income on which to support her population and her limping primary and secondary industries. The country's great basic commodity is wool, which takes us back to the incomparable service of John Macarthur. The second most important export is wheat, the basis of agrarianism. The hero of this industry is William Farrer (1845-1906), who experimented with wheat according to principles of Mendel in 1886 with the object of producing rustproof varieties, and succeeded in putting Australian wheat-growing on a scientific basis. Both wool and wheat, which far overshadow all other commodities in importance to Australia, must be disposed of in the world market at world competitive prices.

The leading products of Australia are at the mercy of two forces, one of them peculiar to the country and the other operative in any country dependent for its income upon primary production. The first is the climate. The spectre of drought constantly menaces both wool and wheat and can reduce crops with disastrous effect. While drought-resisting varieties of wheat have markedly extended the wheat-growing area and the re-

turn per acre, Australian droughts are not easily circumvented, for they are not infrequently both extensive and protracted. Whatever efforts man may make with the help of science, the fact remains that Australia has an inadequate and unreliable rainfall, few rivers and a minimum supply of artesian water. This not only limits the area available for cultivation; it also restricts the available grazing territory. The desert area in Australia is proportionately larger than on any other continent. Planning can somewhat mitigate the destructive effects of drought on the grazing country by developing methods of transporting animals out of stricken areas, tapping all possible sources of water and other measures, but in the end the climate remains a dominating and incalculable factor, thus providing a striking example of a basic geographical control working on a modern society.

The second factor is world prices. Australia has been brought to its present pass by the sharp decline in the world prices of wool and wheat, which made terrific inroads on the nation's income from abroad. During the period of world prosperity Australia borrowed heavily in the world money market to support its program of development and its social services. The people gambled on an indefinite continuance of good times. The warnings periodically issued by the economic disciplinarians fell on deaf ears. The result has been catastrophic. The political seesaw, in consequence, has been making almost melodramatic ups and downs, with the disciplinarians (Nationalists) at present in control of the Federal government and some of the State governments. But, as already pointed, even when out of office Labor wields enormous

influence, and while the electorate may repudiate this or that Labor government, and sometimes with great decisiveness as in the case of the Lang Ministry in New South Wales, that does not mean a reversal of all that labor stands for nor a triumph of conservatism as Americans understand it. The conservatives are probably only temporarily in control. Labor represents too powerful a group interest to be permanently eclipsed, and will no doubt regain control of a country but little different from what it was when it last went out of office.

When it became apparent that Australia had to do something in the way of retrenchment, there was marked and even melodramatic resistance to the proposed measures. The recalcitrance is indicated by the fate of the financial recommendations made by Sir Otto Niemeyer of the Bank of England—the bankers played a powerful rôle in recent Australian politics—and ex-Premier J. T. Lang's ability to carry on his spectacular course of action for many months in New South Wales. But with the passing of labor from control of the Commonwealth government and of the State governments of New South Wales and Victoria, the way was open for the disciplinarians to function, and more recent developments suggest that they have been making their views prevail.

Australia shows hardly any disposition to go left toward bolshevism or right toward fascism. It will remain Australia, disciplined but essentially unchastened and above all not disillusioned, wedded as firmly as ever to the peculiar un-Marxian socialism that obtains there—State capitalism combined with a deep humanitarian impulse.

# Man's Study of Man

By ROBERT BRIFFAULT

[Dr. Briffault is an Englishman who spent twenty years in New Zealand, where, while practicing medicine, he also carried on his work in anthropology and the study of social evolution. After many years of preparation the results of his research were embodied in his monumental book, *The Mothers*, which has been hailed as one of the most remarkable contributions to modern learning. Dr. Briffault is the author of a number of other works, including *Psyche's Lamp* and *Rational Evolution*.]

SOME Cambridge dons were once debating the momentous questions, where, exactly, ancient history ends and modern history begins. Sir Edward Tylor, the great anthropologist, was asked his opinion. "It matters not a straw," he replied; "both are branches of anthropology."

Anthropology, or the science of man, which might logically be claimed to include the whole of human knowledge, has in practice been concerned with a wide diversity of inquiries, according as one or another province of study has acquired special interest and prominence. When the fossil remains of man first began to attract attention, an anthropologist was understood to be a student of those relics and to be chiefly interested in skulls. A multitude of studies which have reference to racial or other variations in human anatomy constitute the field of physical anthropology. But the study of man as a social being—his organizations, institutions, customs, traditions and culture—has acquired so paramount an interest that the term anthropology has come to be particularly applied to those sociological investigations.

Although social anthropology includes, as Tylor claimed, the whole of man's cultural history, the term is in

practice conveniently limited to that portion of it which is not represented in written annals. Those lower, or more primitive, societies which have no written history are precisely those which afford an opportunity for investigating the origin of subsequent social phenomena. Hence the significance of social anthropology, because to understand social phenomena implies an understanding of their origins. To understand current history is impossible without an adequate knowledge of past history; in the same manner the whole of recorded history becomes fully intelligible only in the light of anthropological facts and their interpretation.

It was an American, Lewis Henry Morgan, who perhaps more than any other anthropologist made the study an indispensable basis for all social thinking. His work had so profound an influence that its effects are tangible in the most vital phenomena of today. Morgan's views being, as a whole, in accordance with the conclusions of the great anthropologists of his day, and representative of competent opinion in the period of the active development of the science during the later decades of the nineteenth century, were not without influence in developing the social philosophy of Marx and Engels.

That stage of vital development in anthropological studies was followed by a stage of reaction. The conclusions to which the synthesis of anthropological facts seemed to point appeared disquieting, if not revolutionary. Principles and institutions which it had been customary to regard as rooted in human nature and in the constitution of the universe came to appear, in the



light of those conclusions, as relatively recent innovations or as rooted in savage superstition and barbaric abuses. It cannot be wondered that criticisms of those disturbing views were eagerly welcomed, and that a reactionary interpretation of anthropological facts was acclaimed by an influential portion of public opinion and acquired immediate authority.

When Westermarck, for example, attacked with an imposing array of erudition the view of Morgan and of all leading anthropologists that the institution of monogamic marriage was preceded by phases of sexual promiscuity, and put forward the opinion that primitive humanity was from the first monogamic, he was at once hailed as almost a savior of society, and his authority became so great as to silence for many years all realistic anthropological inquiry into the subject. Similarly, reactionary interpretations and theories calculated to discredit and to discount the alarming conclusions of the founders of anthropological social science have, during the present century, exercised an overwhelming influence, and continue to do so in many academic quarters. Nevertheless, there is today a growing number of indications of a revulsion on the part of many anthropological students against the kind of interpretation that appears to be too exclusively concerned with upholding the authority of established institutions, and a notable tendency is discernible to revert in some measure to views that approximate more closely with the conclusions of the earlier scientific anthropologists.

One of the favorite methods of explanation of social phenomena has been to ascribe them to the effects of human nature and innate instincts. Marriage, private property, religion have been accounted for by such factors as a monogamic instinct, an instinct of private property, a religious instinct. That facile mode of explanation is one of the oldest, most persistent and most pernicious sources of

fallacy in human thought. As a consequence of the cumulative force of much varied evidence as well as logical considerations, such an explanation is today driven out of court. Instinctive behavior dependent upon an innate organization of the nervous system is highly developed in some forms of life, notably among the insects. But careful investigation has shown that even among the higher animals, birds and mammals, very few of the forms of behavior which were assumed to be instinctive are due to such a congenital nervous mechanism. In man not only is true instinctive behavior nonexistent, but the physiological conditions of human development render such a congenital disposition impossible.

Contemporary social anthropology, crippled to a large extent by reactionary theories, has had little part in dissipating the ancient delusion. But, as Professor Boas of Columbia University has well said, the results of anthropological observation all go to "confirm the suspicion long held by anthropologists that much of what we ascribe to human nature is no more than a reaction to the restraints put upon us by our civilization." The conclusion forced upon us that, so far as it has any bearing upon social life, man's behavior is almost wholly the effect of culture, and not of nature, is one of the most far-reaching developments of modern thought. One consequence is that the excessive importance which has commonly been ascribed to race, an estimate that is clearly the expression of tribal pride and prejudice, can no longer be sustained. Human behavior, including thought, opinions, sentiments, the emotions connected with these and with social situations and many of the elements which are commonly included under the term "character," as well as social institutions and the reactions of human beings toward them, is to an overwhelming extent the product not of innate elements of the race but of social tradition.

The study of social anthropology is thus not only the history of the social development of man but also of his mental development. It is not only the premise to social thought but also to psychology. For the history of the human mind is the history of the traditions of social culture.

One of the conceptions which Morgan most elaborately set forth was that of successive phases of social and cultural development. Man has passed from phases of savagery to barbaric organization and to organized civilization. Those various stages in his social development have depended largely upon his control of the economic means of subsistence. Some lowly societies live by gathering articles of food, others by fishing, others by hunting, supplemented or not by a rude form of agriculture. Other societies are mainly pastoral or agricultural in their mode of subsistence. It was that relation between human culture and the economic means of subsistence, expounded by Morgan, which has helped to enlarge the economic interpretation of history.

That scheme of social development has been the object of a great deal of criticism. There is no difficulty in showing that, as set forth by Morgan, the view of the course of human evolution, passing step by step through its several hard-and-fast phases, was oversimplified. The general tendency has been, especially among American anthropologists, to set aside entirely the conception and to regard the social phenomena presented by each society as a separate unit determined by its own particular local and temporary conditions. Behavior and social facts have under this view been interpreted in terms of the "functional" part of the individual in relation to his material and social environment.

Such a method, however, not only limits the scope and significance of social anthropology; it also contains at least one important fallacy. Since social man is so largely the product of transmitted tradition, it follows that

he brings to each new environment in which he is placed a heritage of traditions which may have been the outcome of very different environments. His reactions, both individual and collective, are therefore not determined by his functional relations to his actual environment only but are to an even greater extent the results of traditions which he has received from previous social phases. Tribes which are dependent upon domesticated animals for their means of subsistence, for example, present certain very definite social characters. They are invariably polygamous and stringently patriarchal in their social constitution. Those characters are not by any means obliterated if the society which presents them happens to become agricultural or industrial, or if it should revert to dependence upon hunting.

So of all social phenomena. Countless features which may have been "functional" in a remote savage phase persist today in the most highly civilized societies. There would indeed be few social problems if man's behavior were always functionally adapted. Most social woes arise precisely from the fact that it is not. The "functional" method of interpretation thus embodies an oversimplification far more superficial and fallacious than any that has been charged against Morgan.

Professor Morris Ginsberg of the University of London, in a recently published volume, *Studies in Sociology*, has set forth an extremely able and full criticism of the cavalier repudiation of Morgan's views by contemporary American anthropologists. His conclusion is that "the conception of stages of growth is still necessary," and that "the tracing of sequence in orderly phases is a necessary preliminary to any theory of social development."

For many years, especially in America, anthropological research has been concentrated on detailed local studies of particular tribes, and on monographs on some of the fast

perishing and usually highly sophisticated survivors of savage humanity. A great deal of extremely valuable material has thus been accumulated. But collections of bare facts, however valuable and final in their testimony, remain as dead as mutton if that testimony is not intelligently interpreted.

A very severe appraisal of Dr. Margaret Mead's recent field work at Manus, in New Guinea, *Growing Up in New Guinea*, appeared lately in *Man*. The critic exposed the common assumption that it is sufficient to dwell for a time with a savage tribe to be an anthropologist. It might as well be supposed that it is sufficient to dwell in New York to be a sociologist or in Washington to be a statesman. To concentrate attention upon the study of a single tribe or region is too often apt to destroy the sense of social perspective and to lead to the use of isolated facts as a basis for far-reaching conclusions. This has been a conspicuous fault of much recent anthropology. It is notably seen in the work of Professor Malinowski, who, having made an admirable study of the Trobriand Islands, off the northern coast of New Guinea, has ever since regarded those islands as equivalent to the whole savage world.

An instance of the method was afforded when, in a public debate with me, he cited the marriage customs of the Trobrianders as a final appeal to the facts of primitive society, and on my remarking that the customs of their close neighbors, the natives of Dobu, were entirely different, he replied that he had no evidence of this, because he had not observed them. Dr. R. F. Fortune of New York has just published an admirable study of Dobu, *Sorcerers of Dobu*, which confirms and amplifies my account and clearly shows the Trobriand usage to be a later modification of the Dobu practice.

The ostensible "objectivity" of anthropological field work is very often delusive. Assumptions and precon-

ceptions which the observer professes to exclude by abstaining from conclusions have a way of creeping into his observations of "fact." Neither an illusory "functional" interpretation nor the very superficial application of psychoanalysis to anthropological field work, which is being attempted with scant success by Dr. Róheim, can take the place of a comparative study of the wide range of available data, many of which are no longer available to observation. To the latter method, which was that of constructive anthropology and which has long incurred denunciation, many are now showing a disposition to return. Speaking of my own work, Lord Raglan lately said: "Briffault arrives at those conclusions by the comparative method; and, whether they are correct or not, it is by that method that truth is to be sought, and not by arbitrarily attributing ideas and practices to pre-human ancestors."

One of the most disturbing disclosures of the anthropologists who used the comparative method was that primitive man was a Communist. Such a conclusion could not be allowed to pass unchallenged. In a recent work, *Man's Rough Road*, Professor Keller of Yale University has devoted much space and not a little heated eloquence to an endeavor to show that private property and even capitalism have always existed. He is, it is true, compelled to admit that there are many instances, which he terms "exceptional," where this is difficult to show. But if primitive people attach little importance to private property, it is, he argues, because private property has among them little importance. They would be capitalists if they had capital, and would, he feels sure, speculate in stocks if they had a stock exchange.

An antiquary is said to have once shown to a collector the sword of Balaam. "But," said the collector, "I understood that Balaam had no sword, but only wished he had one." "Precisely," answered the antiquary;

"this is the sword he wished he had." The reluctance of a dog to part with a bone or of a monkey to give up a stick has been described as an "instinct of private property." But the "instinct" of the Australian black, the Melanesian, the Fuegian, the Bushman, is to divide his catch, were it only a sprat, among the whole clan. It is a very sound "instinct," because, unless such sharing took place, not a single individual would have a chance of supporting himself.

Many anthropologists have adduced the monopoly in magic formulas, in dances, in crests and the like, which is universal, as evidence of the sentiment of private property. But sentimental private property is not the same thing as economic private property. In the course of social development the two kinds of property have indeed often become combined. Among the Yuma of Colorado, as Daryll Forde has lately shown, the possession of private property is only permitted to persons who have shown evidence of the possession of supernatural powers. But while sentimental personal property is common in uncultured society, economic monopoly is the exception. Even extensive commercial transactions of the greatest mutual benefit are found to take place among tribes which are devoid of any notion of economic value. Dr. Fortune has just described in detail the organized barter which takes place at Dobu, as in many other parts of Melanesia. It is regarded as an exchange of presents and a token of friendship and good-will, and it would never enter the mind of a native to do any haggling or any counting or reckoning.

There is no doubt that primitive humanity would be as individualistic as modern American humanity if the accumulation of private property were, in the circumstances of its life, advantageous. The fact is that it is not, and the "instincts of private property" have therefore remained undeveloped. In point of fact, the ac-

cumulation of convertible private property to any important degree becomes possible and advantageous only to the individual in pastoral societies. The first pecuniary values (Latin, *pecus*, cattle) arose out of the domestication of animals on a large scale, a relatively late event in the history of the human race and one which, by the way, never took place in native American society.

It is a seemingly strange but significant fact that moral passions are inflamed by the subject of marriage and sexual morality even more intensely than by economics and theology. The looseness of the savage's marriage and morals shocked Victorian society even more than his communism. Accordingly, Westermarck's thoroughly "nice" account of demure, chaste and sentimental savagery, supported by a scholarly array of incredibly distorted evidence, made his work, *The History of Human Marriage*, for nearly half a century the source-book of every moralist and unfortunately of a great many anthropologists. That baneful, paralyzing influence is now happily dissipated, although many survivals of it still hamper the recovery of anthropological science.

What is often misleadingly termed marriage in the lower cultures has always been an economic relation, often quite distinct from normal sexual relations, and the forms and regulations of the relation have invariably been determined by economic factors. Marriage is the foundation of the family, which has in turn been regarded as the foundation of society. But physiologically and biologically the family is founded by the mother, not by the father. Marriage being an economic relation, the foundation of a paternal family by the father could not take place, and has not taken place, until the development of private property enabled him to purchase both the mother and her children. Before the acquisition of that economic power, which did not generally become fully



developed until the domestication of animals, the family remained maternal, and the husband had no right to remove the woman from her home or to lay claim to her children. But a maternal family is not separated from the social group in the same manner as is a paternal family. Hence the foundation of primitive society is not the family, but the clan, or sib. The formation of the paternal family marks, not the development of social ties, but, on the contrary, the breaking up of those ties and the development of anti-social "rugged individualism."

A favorite theological argument was the argument from universal consent. It was supposed to prove the existence of God. But the argument proves a good many other things besides. Whether there are or have been societies without gods is mainly a matter of definition. But there are no uncultured societies known which have not an abundance of what we call superstitions. This arises from the fact that nowhere has primitive humanity any clear idea of the physical relation of cause and effect. Dr. Fortune, in his excellent study of the Dobu islanders, gives a very good account of the way they have of putting down the success of any ordinary operation to charms, incantations and other hocus-pocus, and of their utter depreciation of their own skill, astuteness and technology as factors in the issue. That estimate, which is entirely due to ignorance of the nature of physical law, constitutes what anthropologists call magic. Religion, regarded as a metaphysical theory of the constitution of the universe, developed out of primitive magic but, anthropologically speaking, only at an extremely late period of cultural development.

The idea with which all historians of the origin of religion have hitherto started is that primitive man was in the habit of sitting at the mouth of his cave after supper and asking, like Sean O'Casey's hero, "What is the stars?" and of meditating on the

Great Questions and the whichness of what. Since no primitive man ever did such a thing, and his magic has nothing whatsoever to do with theology, all treatises on the origin of religion, from Max Müller onward, are not worth the paper on which they are printed.

One consequence of the notion that primitive man is interested in explaining the universe has been the assumption that primitive people worship the sun as the most obvious source of terrestrial life. Actually most primitive people are profoundly uninterested in the sun, which many do not even associate with daylight, and no aboriginal sun-cult is known except in relatively advanced agricultural societies. When a woman engaged in anthropological research was told in New Caledonia that the natives regarded as their god a heavenly body which died every month and rose again after the third day, she concluded that they must be sun-worshippers. That is a good example of putting your preconceptions into your premises instead of into "rash" conclusions. The notion that they worshiped the moon, which possesses such magical power that it appears to control the sexual periodicity of women seemed to the good lady a funny, if not lunatic, idea.

In what measure primitive people believe in their own magic and how slowly the skeptical notion of physical cause and effect has entered human heads are amusingly illustrated by Professor Boas in his recent monumental accumulation of texts on the Kwakiutl. But the Kwakiutl, whom I have met only while shopping in the fashionable stores of Vancouver, are somewhat sophisticated. A Kwakiutl shaman told Professor Boas that the only way to become a shaman is to acquire from another shaman the technical skill necessary to perform the skillful sleight-of-hand and fraudulent tricks of sucking out disease and producing, so to speak, rabbits out of a hat. A person desiring to become a

shaman is usually in a state of grace and conversion, having become impressed by some performance of another shaman. After his induction to holy orders he becomes, of course, a crook. Thus the Kwakiutl alternate, like some other humans, between credulous and skeptical states of mind. There is usually a recrudescence of credulity in times of economic depression or of sickness, and death-bed conversions are common among them.

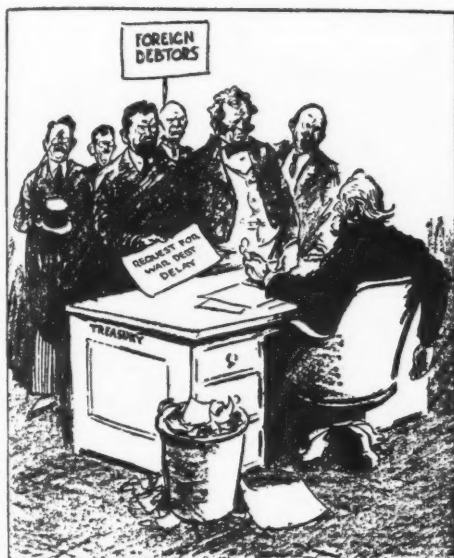
The layman may exclaim over the uniformity of human nature. But what is commonly mistaken for such is really the uniformity of social phenomena. This has never been quite satisfactorily explained. The theories of diffusionists, such as Dr. Eliot Smith, who detects everywhere the influence of ancient Egypt, as the old missionaries discovered in every part of the globe the lost tribes of Israel, will not bear scrutiny.

The fact is that humanity is very old. The traditions and ideas which are found today to be common to the Eskimo of Greenland, the tribes of the Upper Congo and the blacks of Australia may at one time have been the common heritage of a more compact humanity. The more we know the more do racial differences tend to disappear. Dr. Hrdlicka, who has just

brought to light significant Asiatic remains in Alaska, believes that the Australian blacks are akin to the Neanderthal race which peopled Europe. It was till now firmly believed by all anthropologists that the race had been completely wiped out soon after the coming of the Aurignacians. But MacCown's recent discovery in Palestine of young Neanderthal skulls, which show features hitherto regarded as characteristic of the higher white races, suggests that the gap between them may not be so wide as was supposed, for it is in the young that the type of the future is prefigured.

The science of social anthropology which could do such great things toward the much-needed task of improving human intelligence has, it must be sorrowfully admitted, suffered longer from a state of depression than the banks. But there are indications that prosperity may be just around the corner. There are not at present half a dozen important chairs of social anthropology in American universities. It is just as well. Anthropology is only now beginning to recover from the shock caused by too candid a revelation of the origins of man's traditional mind and of the factors which shape current history no less than savage pre-history.

# Current History in Cartoons



"The last time I granted that, you blew it on armaments"

—New York World-Telegram



Kamerad!

—Baltimore Sun



The old refrain

—Boston Transcript



And we need that button so badly right now

—New York Herald Tribune



And the old world goes on just the same

—*Philadelphia Inquirer*



The exile

—*New York Herald Tribune*



To reopen

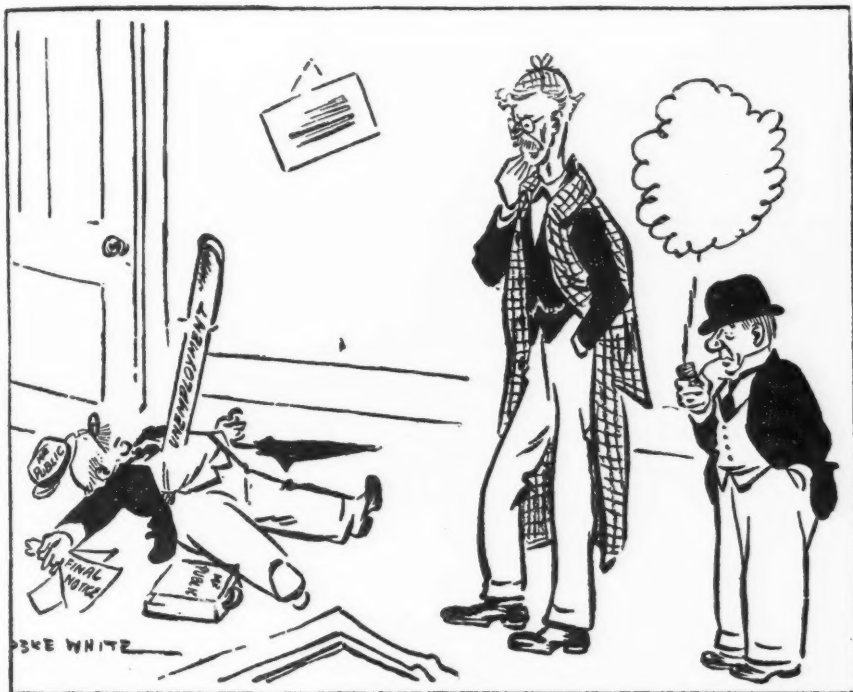
—*Birmingham Mail*



All over

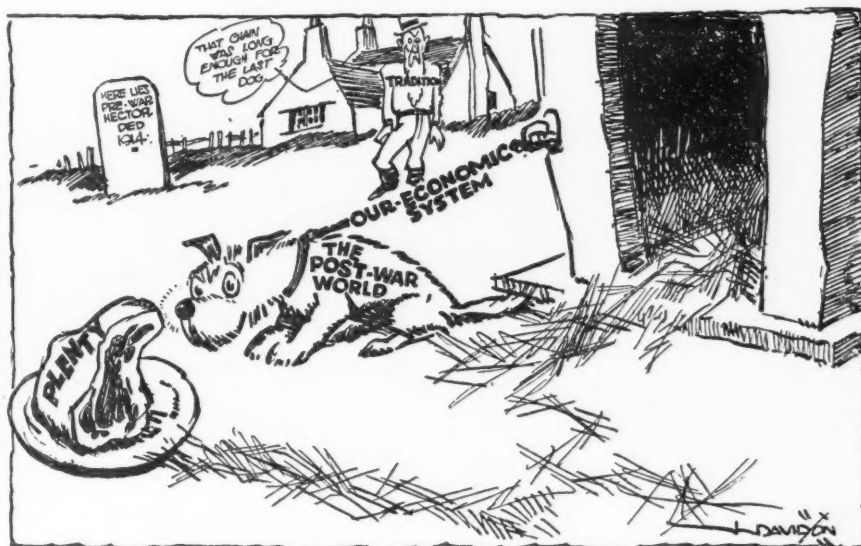
—*Springfield Republican*





Sherlock Holmes Ramsay—"My dear Watson, it's more puzzling than I used to think!"

—Glasgow Record

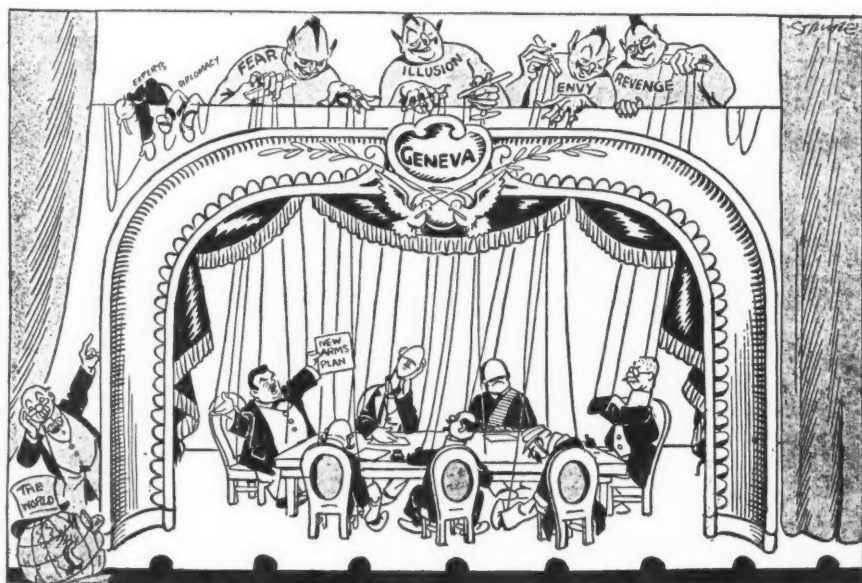


The hungry pup

—Glasgow Evening Times



Setting out for the Disarmament Conference  
—Kladderadatsch, Berlin



The marionettes  
—The Daily Express, London.

# A Month's World History

## Manoeuvres for Disarmament

By JAMES THAYER GEROULD

*Princeton University; Current History Associate*

WHATEVER else may be achieved by the disarmament conference, one fact has been made strikingly clear—that the question of armaments has many phases, all of which are interwoven with a host of other problems. For instance, the delegates discovered that no concessions of moment could be made in regard to long-range guns until it was known what would be done about naval batteries, that tanks could not be abolished without decisions regarding air bombardment, that submarines would not be given up so long as large capital ships were maintained. The French have continually asserted that without security, and definite plans for arbitration, there can be no disarmament of consequence. More recently, it has become evident that political situations have a definite relation to the problem. A government that is insecurely seated, as are most governments today, hesitates to make concessions that can be used against it by political opponents more intent on party advantage than on national welfare.

At the moment, the Manchurian situation makes it difficult to obtain naval agreements. The threat of a German Government dominated by the Nazis, or the older militaristic groups, is being used in France by the extreme nationalists to keep alive old enmities and to prevent the concessions necessary to persuade Germany to return to the conference. In Ger-

many, the government has hesitated to be present at Geneva in the face of the noisy protests of the parties opposing such action. Italy has made friendly gestures to Germany, in the hope of bringing France to terms regarding naval parity, and Norman Davis has found that for Europeans there are definite relations, not only between reparations and war debts, but between war debts and disarmament.

A detailed statement of the French proposal (See December CURRENT HISTORY, pages 332-334) was issued as a memorandum for the disarmament conference on Nov. 14. Since being issued it has undergone certain modifications that are not likely to make it, in its detail, more acceptable to the other powers, but which doubtless are considered by the French as counters with which they can bargain. While M. Herriot in no sense maintains that the document represents an ultimatum, or any final statement of the French position, he makes it quite clear, nevertheless, that his proposals are interdependent and form an "indivisible whole."

The memorandum consists of a long preamble and of five succeeding chapters. It opens with an assertion that "any war undertaken in breach of the Paris pact is a matter of interest to all the powers, and shall be regarded as a breach of obligations assumed toward each one of them." In such a situation there must be consul-

tation and agreement upon the steps to be taken, which will be, as a minimum, "the prohibition of direct or indirect economic or financial relations," and a refusal to "recognize any de facto situation brought about in consequence of the violation of an international undertaking." With such an understanding as this it will be possible to give full effect to Article XVI of the covenant, to the Locarno treaties, the general convention on means of preventing war, and the convention for financial assistance. In the Continental European area, the Locarno treaties foreshadowed a more complete organization, accepted by a sufficient number of powers so that the security of each one of them shall be insured in all circumstances. Under such an organization, any signatory power will have the right to assistance whenever its territory is "attacked or invaded by a foreign power." To assist the Council in determining the aggressor, as defined by this phrase, it shall appoint, in each country, from among the diplomatic agents accredited to it, a commission which will be charged with the duty of reporting on the facts. "The Council of the League will decide that assistance shall be given on simply ascertaining that an attack or invasion has taken place." To insure the peaceful settlement of disputes, all members of the new confederation shall agree to compulsory arbitration. Should any nation refuse to accept or execute an award, the other party may bring the matter before the Council, which, in such case, may act by majority vote.

"The land forces assigned for the defense of the home frontiers of the States of Continental Europe will be reduced to a uniform general type, that of a national short-service army with limited effectives," the size of which is to be determined by the formula suggested in the Hoover plan. The project goes into considerable detail regarding the number and training of these effectives, and of military

police with longer terms of service. The period of service in the national army must take into account pre-military training and that acquired in semi-military formations—an obvious reference to the political organizations in Germany, Austria and Italy. In addition to these home forces, each nation will place permanently at the disposal of the League of Nations, as a contingent for joint action, a small number of specialized units, serving a relatively long term, and provided with the powerful materials prohibited to the national armies. Such materials are to be "stored in each of the contracting States under international supervision," where they may be restored to national use should the nation be engaged in legitimate self-defense in accordance with a decision of the Council. As rapidly as possible, all war materials are to be standardized on a uniform type. To insure that every nation organizes its armed forces and its material in accordance with the rules, there shall be established an international supervisory body which shall make annual investigations.

Although overseas troops are excluded from the national quotas, outlined above, they are, nevertheless, to be limited by the terms of the general convention. Naval forces, also, do not come within the terms of the Continental agreement. In regard to these, there shall be regional understandings of a political character—such as, for example, a Mediterranean pact—which will result in further limitation and reduction, both quantitative and qualitative. While no provision is made for a navy permanently under League control, it is proposed that the Council, in order to enforce its decisions, shall have the right to call on the signatory powers for a stipulated number of vessels of every category, which will act, presumably, under international direction. The chapter on air forces provides for the total abolition of bombing aircraft, except, perhaps, such as are placed under the



control of the League, the establishment of a European air transport union, having supervision of all international air transportation, and the organization by the League of a strong air force capable of immediate action in enforcement of its decisions.

Detailed as the plan is, it contains no answer to the difficult questions as to how the international forces are to be constituted, how the general staff is to be recruited and where it is to be located, how the League is to be assured of the control of the heavy armaments "stored" in each nation and a dozen similar queries. The other European powers are skeptical of a plan which will permit France to retain a large colonial force only a few hours away, while all her naval plans are based on the rapid transportation of these troops to Europe. The possession of such forces would nullify any theoretical equality of right to arm and any ratios of military strength based on the earlier provisions of the document.

So far as it relates to the United States, the plan would involve the amplification of the Pact of Paris by a consultative agreement, the acceptance of the obligation to prohibit "direct or indirect economic or financial relations" with an aggressor country and the incorporation of the Stimson doctrine of non-recognition in a treaty having universal application. There may be some question as to our obligation under the plan to cooperate in naval operations, but, as the clause is related to a chapter which deals solely with European organization, it seems very doubtful if any such obligation is intended.

Despite the assertion that the plan is presented as an "indivisible whole," the French fully realize that it cannot be completely achieved at once. They accept the statement of Sir John Simon that "such a plan can only be carried out by stages, each subsequent stage being justified and prepared for by the proved consequences of what has gone before." They are quite will-

ing, too, that parts, at least, of the American and the British schemes should be incorporated with it.

Three days after the publication of the French proposals, Sir John Simon, in a speech before the Bureau of the Conference, restated the British position. He admitted the principle of equality of right demanded by Germany and hinted that, within the limit of total tonnage permitted by the Versailles Treaty, Germany might be permitted to build battleships of more than 10,000 tons. He would agree to a general reduction of the tonnage of cruisers to that established for Germany by the treaty, and to a total abolition of submarines. Large tanks should be abolished, since they are solely weapons of offense. Small tanks he would retain. Admitting in principle the right of Germany to possess a limited number of such weapons, he hedged this statement by a qualification that, "in practice," it might not be possible to allow it, and that, in any event, their number and size should not be determined in advance. The calibre of mobile land guns might be reduced in new construction to the 105-millimeter size permitted to Germany, but he implied that the nations which now have larger guns should be allowed to keep them.

Sir John Simon favors immediate reduction of all air forces to the level of those of the United Kingdom, a subsequent additional cut in all of 33 per cent, and the limitation of unladen weight at a lower figure. He wishes to retain the right to use aircraft for bombing "for police purposes in outlying places," obviously referring to such cases as the recent bombing of Arab villages in Iraq and the American use of planes for similar purposes in Nicaragua. No attempt is made to square this statement with his earlier condemnation of "the frightful horrors of bombardment from the air," the inference being that the practice ceases to be horrible when applied against a population that is unable to retaliate. Pending a decision on all

these points, the British Government thinks it "not unreasonable that Germany should refrain from any claim to possess military or naval aircraft. "If Germany desires a reduction of her term of enlistment from twelve to six years, the number of long-service troops should be reduced from 100,000 to 50,000. No reference is made to the French suggestion for abolition of Continental long-service armies. His statement closed with a reaffirmation of the principle of a permanent disarmament commission.

For some reason, Sir John did not include in this document an important suggestion which he made in the House of Commons on Nov. 10, to the effect that "all European States should join in a solemn affirmation that they will not, in any circumstances, attempt to resolve any present or future difference between them by the use of force." The substitution of the word "force" for "war," as it appears in the Pact of Paris, is of the utmost importance, as it would guard against such situations as that in Manchuria, where war has not been declared; as the forcible annexation of Vilna, and similar situations of which recent history furnishes too many examples.

On Nov. 18 an important debate before the bureau on the private manufacture of arms brought out the fact that the United States as well as Great Britain, which hitherto have opposed attempts at regulation, are now ready to agree to it. Japan, while not opposing the control of private manufacture, is at present unwilling to accept so great a degree of control for her public arsenals. The American delegates still oppose a complete ban on gas warfare by taking the position that experimentation with a view of defense against gas attacks must still go on. The general belief is that any such authorization would endanger agreements regarding a complete prohibition of the use of gas. It is recognized, however, that such restrictions as are applied must be of a character

which will not interfere with the legitimate and normal activities of the manufacture of chemicals.

Germany still hesitates to return to the conference, not only because of the equivocal nature of the responses officially made by France and Great Britain to her demand for the recognition of her right of equality, but quite as much, perhaps, because of the instability of her government. At the moment it seems likely that there will be concessions on both sides, and that informal conversations are likely to result in the discovery of a formula which will permit Germany to join in future discussions.

#### *THE ECONOMIC CONFERENCE*

The preparatory commission of the Monetary and Economic Conference concluded its first session on Nov. 9. Very little of importance was accomplished, and this through no fault of its members. No useful purpose can be served by convening the conference until after March 4, nor even then if a discussion of tariffs and war debts is to be prevented. It is very far from being the fact, however, that the responsibility for delay lies entirely with the United States. The Ottawa agreements, the failure of parliamentary government in Germany, the budgetary situation in France, the failure of the Stresa conference to deal with a single aspect of the larger problem, make it quite uncertain whether the world is yet ready to face the implications of the present policy of dog eat dog, and to adopt a program of economic and financial rehabilitation.

A ray of light breaking through the clouds of international misunderstanding and hostility was afforded by the announcement on Nov. 16 that the Franco-German Economic Commission had agreed to a consortium, to be financed by bankers in both countries and in Great Britain, for the construction and electrification of railroads and other public works in countries such as Poland, Rumania, Portugal and Iraq, where capital for such purposes is lacking.

## The Foreign Notes on War Debts

FILLED with a sense of righteousness and generosity because of the sacrifices they made at Lausanne, Great Britain and France waited until the American elections were over before asking the American Government to review the war debt situation and to permit the suspension of payments due during the period of review. The British Ambassador, Sir Ronald Lindsay, presented the British note to the Department of State on Nov. 10; the French note was presented by Ambassador Claudel on Nov. 11.\* Though most Americans were probably startled by this development, it did not come as a surprise to political observers. Unofficial agitation for reduction and even for cancellation, in the United States as well as in Europe, had existed even during the pre-depression years, and the serious revival of the debt question became inevitable when economic stress deepened and persisted. (For a general discussion of the war debt problem, see Dr. Ostrolenk's article on page 413 of this issue.)

Certain definite events, however, foreshadowed the appeals of the European debtors for relief. The first of these was the Hoover moratorium. Since it was agreed that a postponement of intergovernmental payments was urgently necessary in 1931, the question whether a similar suspension might not be equally necessary in 1932 held the attention of statesmen, budget framers and economists of many countries. An especially significant event was the joint communiqué issued by President Hoover and Premier Laval at the conclusion of their talks in Washington on Oct. 25, 1931, in which

it was stated that "prior to the expiration of the Hoover year of postponement some agreement regarding them [intergovernmental obligations] may be necessary covering the period of the business depression. The initiative in this matter should be taken at an early date by the European powers principally concerned within the framework of the agreements existing prior to July 1, 1931." This suggestion led, according to the notes of the British and French Governments, to the Lausanne agreements.

The third incident was the statement of President Hoover in his special message to Congress concerning the moratorium on Dec. 10, 1931: "As we approach the new year it is clear that a number of the governments indebted to us will be unable to meet further payments to us in full pending recovery in their economic life. Therefore it will be necessary in some cases to make still further temporary adjustments." The President also recommended the re-creation of the World War Foreign Debt Commission, "with authority to examine such problems as may arise in connection with these debts during the present economic emergency, and to report to the Congress its conclusions and recommendations." But Congress approved the moratorium, refused to recreate the Debt Commission and warned that its approval of the year's suspension of payments was not to be taken to indicate any future favorable consideration of reduction or cancellation of the war debts.

Later in December, 1931, the Basle Report announced that Germany would be unable to pay the unconditional part of her reparation annuity for the year beginning July 1, 1932. This spurred the creditor governments of Europe into taking the initiative suggested in the Hoover-Laval statement, and a conference on the reparation

\*In the article, "The Dilemma of the War Debts," on pages 413-419 of this issue, the reception of the French note is dated incorrectly as Nov. 10, instead of Nov. 11. The American replies to Great Britain and France were sent Nov. 23, not as stated in the article, on Nov. 26.

question was arranged to meet at Lausanne in January, only to be postponed from time to time because of unfavorable political conditions.

Another important link in the series was the failure of the British and French Governments to make provision in their new budgets for debt payments due to the United States on Dec. 15, 1932. These omissions showed clearly that an extension of the Hoover moratorium was anticipated.

Finally, the Lausanne agreement of July 9 brought the reparation question to a point of real settlement, but its final ratification was made conditional upon the success of Germany's creditors in obtaining concessions from the United States in respect to their war debts. Communications to this effect would probably have been addressed to Washington soon after the conclusion of the Lausanne conference but for the American Presidential campaign, and the reluctance on the part of the debtors to embarrass President Hoover at such a time. As soon as the election was over, however, they acted almost simultaneously, because only five weeks remained in which to win the support of the American Government, Congress and public to the suspension of the payments due on Dec. 15.

The Hoover-Laval communiqué mentioned above was, in fact, used as a springboard in both the British and French notes requesting postponement as a preliminary to general review of the debt agreements. Both notes linked reparations with war debts and in the French note special stress was laid on the sacrifices made at Lausanne. Mention was made in both of the suspension of intergovernmental payments between the participating powers at that conference, during the period of negotiations, in urging a similar suspension during the proposed war debt discussions.

In some quarters in the United States, Great Britain and France were accused of endeavoring to present a united front on the debt question and

the gentleman's agreement at Lausanne was cited as additional proof. The British Government took pains to deny any such intention and explained that the similarity of the notes was due to the force of circumstances, since the subject-matter of both notes was identical and since it was set forth in each case in the customary diplomatic idiom.

The replies that were made by the American Government to the debt notes on Nov. 23 were, of course, made wholly on the responsibility of President Hoover. They set forth the lack of jurisdiction on the part of the President to grant postponement of the instalments due on Dec. 15 or to grant review of the debt situation. In both replies it was asserted that the suggestions of the two governments went far beyond "anything contemplated or proposed at any time in the past either by President Hoover or by this government," and that "no facts have been placed in our possession which could be presented to the Congress for favorable consideration."

The President advised the two governments, however, that he was prepared to recommend to Congress that it constitute an agency similar to the World War Foreign Debt Commission to examine intergovernmental financial obligations and to consult with each government individually. They were further assured that the payment of the obligations due on Dec. 15 would greatly increase the prospects of a satisfactory approach to the whole question. In the reply to the British Government it was stated that the United States still held to its traditional view "that reparations are a solely European question in which the United States is not concerned," and that it would not recognize any inference "that the settlement of German reparations was made in reliance upon any commitments given by this government."

Meanwhile, notes requesting postponement of the impending instalments and review of debts were re-



ceived by the Department of State from Belgium, Czechoslovakia and Poland, and replies similar to those addressed to Great Britain and France were made to them. Greece had already defaulted on a payment due to the United States on Nov. 10, while Italy refrained from joining in the campaign for postponement and revision, but her instalment was small and she is understood to favor review.

The governments of France and Great Britain lost no time in preparing new notes setting forth the facts as they saw them in more detail, with the ultimate view that they would be passed on to Congress for its consideration. The second British note was delivered to the Department of State on Dec. 1. Asserting that the resumption of the war-debt payments on the pre-moratorium scale would deepen the world depression and adversely affect commodity prices with disastrous consequences to the whole world, and that a discussion of the debts might be instrumental in the revival of world prosperity, the British Government again asked for the postponement of the instalment due on Dec. 15 and review of the whole question. The loss which the British and American taxpayers would suffer from reconsideration of the war debts was held to be far less than the loss of wealth and the human misery caused by the economic crisis. It was stated that the President's suggestion in his statement on Nov. 23 of payment through the deposit of foreign currency to avoid gold exports, had to be rejected, as British gold reserves were not large enough to permit such payment. The note contended that unless there was a review of the war debts, the Lausanne agreement could not be ratified and the reparations question would still remain unsettled, with possibly fatal results. It further asserted that a *de facto* connection existed between debts and reparations and that this connection was "by implication admitted by the United States Government when it proposed a moratorium on all intergovernmental obligations last year." As to the renewal of payments, the note stated that Britain's adverse balance of trade with the United States in 1931 amounted to £78,000,000, and that in the present circumstances payment could only be made "by adopting measures which would further restrict British purchases of American goods." As proof of the faithful adherence of Great Britain to the debt arrangements up to the present time, the note stated that while Great Britain's debt to the United States was but 40 per cent of the total, she had paid 80 per cent of the total received.

Press opinions on the British note in the United States were with few exceptions favorable to a careful examination of the British case. The reaction in Congressional circles was far different, however, and it was clear that opposition in Congress to any abatement of the debt burden had become crystallized. As *The San Francisco Chronicle* said editorially: "Whatever President Hoover may recommend now, or President Roosevelt may propose later, Congress has made up its mind, and its answer is 'No.'"

The text of the second French note was received on Dec. 2. In it the French Government emphasized that it had never considered questioning "the juridical validity of the various obligations by which the war debts originated," and that in requesting a postponement it was not going beyond the request of President Hoover himself in June, 1931. The Hoover-Laval communiqué of October, 1931, was stressed as in the first note, and it was held to have led to the sacrifices made at Lausanne. It expressed the view that the strict application of the debt arrangements "would result in creating further chaos and poverty throughout the world, inasmuch as the transfer of sums without corresponding exchange cannot but unbalance yet more profoundly international relations."

The French note dealt therefore

The French note dealt therefore

with postponement of the Dec. 15 payment, and only indirectly with the question of review. As in the case of the British note, it failed to make any impression on Congressional opposition to a new moratorium.

On the whole, British opinion has made an effort to appreciate the American attitude and American difficulties, but strong views are held by some well-known Englishmen. Viscount Snowden, Chancellor of the Exchequer in two Labor governments, in a special article in *The New York Times* of Nov. 17, urged cancellation of the British debt. Offering the familiar argument that the original loans were America's contribution to carry on the war while she was inactive during the fifteen months following her entry, he concluded that Great Britain is not bound in equity to pay. He complained also of the unequal treatment accorded the debtors by the United States, of war profits, of the high American tariffs. L. M. S. Amery, former Conservative Cabinet Minister, in an address at Birmingham on Nov. 29, scorned repudiation, but said that Great Britain could pay the war debt to the United States only by cutting down on purchases from her. *The Economist*, of Dec. 3, stated that the British Government should not shrink from default if it should feel "that payment would create exchange and other difficulties on an international scale to which it has no right to expose the world."

It must be remembered that there has always been strong opposition to the payment of war debts in France, and that the funding arrangements for the French debt to the United States were not finally ratified by the Chamber of Deputies until 1929, and then only by the close vote of 300 to 292. Even this approval was conditional upon the payment of the debt "exclusively by the sums that Germany shall pay to France." Now that the German reparations have been almost abolished, the payment of the debts becomes to the French mind

utterly illogical. But Pertinax, perhaps the most penetrating of French publicists, observed in *L'Echo de Paris* on Nov. 12, that the case of the debtors was strong in equity but weak as a matter of law. M. Berenger, former Ambassador to the United States, and co-author of the Mellon-Berenger funding agreement, has stated his belief that France is no longer morally bound to pay. And M. Malvy, president of the Finance Commission of the Chamber of Deputies, declared on Nov. 9, "I consider it a supreme injustice that after having deleted from our budget the German debt on the initiative of the President of the United States, payment of the debt to America should be imposed on this country."

On no great public question in our time has there been so great a divergence of opinion between the experts and the legislators as on American war debt policy. The experts—among them the foremost students of affairs, the leading bankers and economists—have almost to a man favored the extension of the moratorium and a reconsideration of the debt situation. The press has also been uniformly favorable to a serious reconsideration of the facts presented by the debtor nations. But the legislators—among them Speaker Garner and the members of the Foreign Relations and Finance Committees of both houses—have almost unanimously gone on record as categorically opposed to any kind of leniency toward the debtors.

There seems little hope, then, that the Congress will take any step calculated to lighten the debt burden. It seems likely that President Hoover will recommend in a special message to Congress the creation of some agency empowered merely to investigate the facts in the debt situation and to report on them, but as the Congress has changed little in composition and less in mind since it refused to carry out a similar recommendation last December it is likely that nothing will be done in that direction. R. L. B.

# The State of the American Nation

By E. FRANCIS BROWN

**P**OLITICS of one sort or another is not long adjourned in the United States, at least in times like the present. No sooner had the country turned its back on the Presidential election than it faced the prospect of the concluding session of the Seventy-second Congress. Trained in the months of the campaign to discuss, more or less carefully, the problems of a tangled social and economic order, citizens discovered that their consideration of those problems was not concluded with the casting of ballots on election day. Thus, in the weeks preceding the assembling of Congress, Americans were forced to continue their study of the state of the nation.

Nothing is more dead than a Presidential election once it is over, yet there are some interesting results which are worth recording. The final figures were still awaited at the end of November. On the voting there needs to be little comment. Nearly complete returns on Nov. 29 showed that Governor Roosevelt received 22,314,058 votes, the largest number ever received by a winning candidate. His majority of 6,738,584 was slightly more than that of President Hoover over Alfred E. Smith in 1928. Thus the Democratic victory entailed a shift of more than 13,000,000 votes, a change in which the Negroes participated, since reports indicate that for the first time since the Civil War many of them deserted their traditional Republican allegiance.

Of the minor candidates, only Norman Thomas, the Socialist standard bearer, and William Z. Foster, the candidate of the Communists, attracted much attention. Mr. Thomas's most enthusiastic supporters had prophesied

that he would receive nearly two million votes, although the candidate himself and the more cautious members of his party maintained that half of that number would be cause for satisfaction. On the basis of incomplete returns, Mr. Thomas obtained 805,813 votes. While the vote is three times that received in 1928, it is, in many respects, surprisingly low, because in a year of so much distress the radical vote might have been expected to increase tremendously. Although there was probably some counting out of Socialist ballots, the size of the vote seems to indicate that many liberals in the end, rather than risk a continuance of the Republicans in power, supported the Democracy. Mr. Foster's vote of only 69,104—in 1928 he received 48,770 votes—can be explained on similar grounds and the fact that the Communist movement in the United States is apparently not as strong as near-sighted observers have believed.

As with most American elections, corruption and intimidation have been alleged, justly in many cases there can be no doubt. In New York, New Jersey, Pennsylvania and Delaware hearings were quickly held to sift these charges, but one does not have to be a cynic to despair of any significant result from the investigations.

The Seventy-second Congress, when it met for its "lame duck" session on Dec. 5, was under Democratic control, since the party has a majority in the House and with the insurgents in the Senate. For this reason the conferences of the President-elect with Democratic Congressional leaders during the latter part of November were

extremely important, for it is conceivable that under Mr. Roosevelt's direction Congress will attempt to push through a program devised by him in what seems a forlorn hope of staving off an extra session of the Seventy-third Congress soon after the Democratic administration is formally inaugurated.

On Nov. 23, the day following his extraordinary conference with President Hoover on war debts (see Dr. Ostrolenk's article, "The Burden of Being a Creditor," on page 413 of this issue), Governor Roosevelt talked with the leaders of his party in Washington and apparently outlined what he believed should be the work of the Democrats in the "lame duck" session. This program included opposition to

immediate change in the foreign debt structure, balancing of the Federal budget, enactment of beer legislation and farm relief. Plans for putting the program into effect were carried further in meetings between the Governor and leading Democrats at Warm Springs, Ga., after Thanksgiving. At the same time delegations from farm organizations visited him and discussed proposals for agricultural relief.

Of the four points in this legislative program the public was most interested in the plan to legalize the manufacture and sale of beer. The overwhelming wet victory at the polls in November and the promise of the Democrats to modify the Volstead act immediately gave great impetus to

#### SEMI-FINAL ELECTION RETURNS BY STATES

State.	Roosevelt.	Hoover.	Thomas.	Foster.	Reynolds.	Harvey.	Upshaw, Coxe.
Alabama .....	207,910	34,675	2,030	406	...	...	13
Arizona .....	79,264	36,104	2,618	256	...	...	...
Arkansas .....	189,602	28,467	1,269	175	...	1,049	...
California .....	1,276,423	823,069	56,576	...	...	7,592	14,010
Colorado .....	234,571	180,212	9,707	...	...	...	402
Connecticut .....	281,360	287,841	20,053	826	1,538	...	...
Delaware .....	54,319	57,073	1,376	133	...	...	...
Florida .....	206,307	69,170	879	4	...	57	37
Georgia .....	234,118	19,863	461	23	...	...	1,125
Idaho .....	109,208	71,122	516	481	...	4,685	...
Illinois .....	1,882,304	1,432,756	67,258	15,582	3,638	...	5,938
Indiana .....	860,626	671,179	19,344	...	...	...	10,473
Iowa .....	597,416	414,840	12,719	459	...	...	1,179
Kansas .....	424,204	349,498	18,276	...	...	...	...
Kentucky .....	580,574	394,716	3,853	272	1,396	...	2,252
Louisiana .....	190,925	18,216	...	...	...	...	...
Maine .....	126,005	163,500	1,843	...	...	...	...
Maryland .....	314,314	184,184	10,489	1,031	1,036	...	...
Massachusetts .....	800,027	737,655	32,308	...	...	...	950
Michigan .....	873,847	740,808	39,325	3,655	705	180	2,454
Minnesota .....	600,806	363,959	25,476	6,101	770	...	5,731
Mississippi .....	140,168	5,170	675	...	...	...	...
Missouri .....	1,006,613	551,128	13,301	411	231	...	1,030
Montana .....	127,455	78,064	7,896	1,797	...	1,460	...
Nebraska .....	359,082	201,177	9,876	...	...	...	...
Nevada .....	24,367	10,546	...	...	...	...	...
New Hampshire .....	100,608	103,629	947	264	...	...	...
New Jersey .....	806,603	775,663	43,219	2,963	1,053	...	747
New Mexico .....	88,469	50,920	1,640	129	...	361	...
New York .....	2,524,616	1,930,678	176,045	15,800	6,200	...	...
North Carolina .....	498,006	208,334	5,599	...	...	...	89
North Dakota .....	147,929	64,680	1,855	431	...	880	...
Ohio .....	1,301,695	1,227,679	64,094	7,231	1,968	...	7,421
Oklahoma .....	516,468	188,165	...	...	...	...	...
Oregon .....	210,313	132,326	13,923	1,489	1,673	...	...
Pennsylvania .....	1,278,425	1,442,393	48,258	2,580	480	...	3,126
Rhode Island .....	145,853	114,320	2,306	444	349	...	139
South Carolina .....	102,347	1,978	82	...	...	...	...
South Dakota .....	183,559	99,133	1,445	382	...	3,258	466
Tennessee .....	251,089	124,859	1,785	247	...	...	1,933
Texas .....	623,744	85,329	...	...	...	...	...
Utah .....	116,750	84,775	4,087	947	...	...	...
Vermont .....	54,751	77,665	1,493	...	...	...	...
Virginia .....	203,980	89,637	2,382	86	...	...	1,843
Washington .....	243,024	148,650	20,574	1,178	338	25,523	602
West Virginia .....	402,895	327,758	3,382	287	...	...	765
Wisconsin .....	676,417	332,601	52,206	3,011	483	...	2,572
Wyoming .....	54,702	39,310	1,867	53	...	...	...
Total .....	22,314,058	15,575,474	805,813	69,104	21,858	45,045	56,656
							6,465



the movement to bring back beer. Moreover, the growing Treasury deficit made the revenue possibilities of beer seem most attractive, and there was hope that beer also would stimulate industrial activity. (For a discussion of this aspect of the question, see Mr. Hacker's article, "If Beer Returns," on page 385 of this issue.) Petitions from industrial groups and the declarations of Senators and Representatives, who had formerly been dry, that they would vote for legalized beer made definite action seem probable. President Hoover's attitude remained uncertain and was the cause of a brief controversy between Representative Britten and Theodore G. Joslin, secretary to the President, over whether or not Mr. Hoover would sign a beer bill.

Meanwhile House and Senate leaders laid definite plans to bring a bill for legalizing beer to the floor of Congress as soon as that body convened. Hearings to consider a tax on legalized beer were scheduled to begin on Dec. 7 before the House Ways and Means Committee, and it was believed that the beer measure would be included in a general revenue or economy bill which President Hoover would find it difficult to veto. The possibility that dries in the Senate might filibuster to prevent the passage of such legislation had to be taken into consideration in planning the strategy to be employed by the wets.

Both Republican and Democratic leaders in the House reached an agreement before the convening of Congress to vote on a resolution repealing the Eighteenth Amendment. Speaker Garner, who drafted the resolution, planned to have the vote taken on the first day of the session and to shut off debate by suspending the rules of the House. Similar action appeared to have strong support among Senators. But when the resolution was presented in the House, it failed by six votes to obtain the two-thirds majority necessary for adoption. Repeal apparently

was postponed until the next Congress.

It is conceivable that wrangles over repeal and beer will prevent much constructive work being done at the "lame duck" session, but Congress will be obliged to consider the war-debt problem and also to take up the difficult question of balancing the Federal budget. How far out of balance the budget will be at the end of the fiscal year next June is not easy to determine, but certain it is that a budget supposedly balanced when Congress adjourned last Summer showed a steadily mounting deficit which approached \$1,000,000,000 before the fiscal year was half over. New sources of revenue and new economies must be found.

The Hoover administration hopes to balance the budget through economies which will make new taxes unnecessary. At a Cabinet meeting on Nov. 19 it was decided to propose a \$700,000,000 reduction in government expenditures, largely through the abolition of "useless" bureaus and commissions. But as such a procedure would be likely to deprive the incoming Democrats of considerable patronage there seems little likelihood of its being well received by Congress. Attempts undoubtedly will be made to economize by curtailing the construction of public works and a well-organized lobby will seek to reduce expenditures in the veterans' administration. Despite the public clamor for economy and the fact that the government might operate more efficiently and cheaply, it is to be feared that if any reduction in expenses is made it will be by sacrificing governmental social functions which have been established after years of effort.

The only other way to balance the budget is by increasing government revenues, and this would seem to mean new taxes. Much talk has been going the rounds in favor of some sort of sales tax; yet the principle of that tax is one which does not appeal to any one who pretends to believe in

equitable taxation. It is easy to collect, it should bring in large returns, but it falls heaviest on the man least able to bear the burden. Except under great pressure, it seems unlikely that the sales tax will be acceptable to Congress. The return from a beer tax has probably been exaggerated by its proponents. In any case, a new revenue bill of some sort can be expected, a bill that will seek new sources of income and that will modify some of the taxes imposed last year which have proved unsatisfactory or which have aroused extensive protest.

For the rest, Congress will be forced to consider many measures. Farm relief is certain to be debated, although it is not at all clear whether any bill can be made law. Pleas for higher tariff protection will be presented to Congress by industries which allege that they have suffered from dumping by nations that are off the gold standard. Legislation looking toward banking reform will again be on the Congressional docket. Agitation for payment of the veterans' bonus is certain to be heard, and it seems not improbable that proposals for further unemployment relief will be aired in the Capitol. Finally, Philippine independence, the World Court and the St. Lawrence waterway treaty will be under consideration, although it is anticipated that they will spend most of the session slumbering in committees.

Perhaps some ray of hope is to be found in the rise of exports in October by \$21,000,000 over the preceding month. While some of this improvement is seasonal, it was not based to such an extent as usual on an increase of cotton exports. Nevertheless, the total for October was only \$153,000,000, compared with \$204,905,000 in 1931.

The Reconstruction Finance Corporation, the chief of the Federal agencies for maintaining the nation's economic life, has continued to pour out funds to authorized institutions. During October \$25,926,269 was ad-

vanced to railroads, \$81,514,500 to self-liquidating construction in an attempt to aid employment, \$36,000,000 as capital for the twelve regional agricultural credit corporations and \$22,634,762 to the States for work relief loans. Loans for self-liquidating projects have been extended so slowly that it was Nov. 26 before any money was actually available and, according to a United Press dispatch on the following day, only 1,000 men had actually obtained work through the operation of the self-liquidating project provision of the R. F. C. act. Congress had hoped that between 1,000,000 and 2,000,000 men would benefit from the act. The slowness with which this phase of the corporation's activities has been carried out is likely to cause reverberations in Congress, as is the fact that not until Nov. 29, more than a month after they were expected to open, did the Federal Home Loan Banks announce that they were actually functioning.

The deliberations of Congress are to be further disturbed by demonstrations by "hunger marchers" and a conference of disaffected farmers. The descent of the farmers upon Washington is the aftermath of the farm strike of last Fall, which was organized in an attempt to prevent the marketing of farm products in Iowa and the adjoining agricultural States of the Middle West. Exactly what the farmers want is not clear except that they want relief from their present troubles and if price-fixing for agricultural products, a moratorium on farm mortgages and a refunding of farm debts will bring help, that is what they want. The march—actually a truck caravan—was planned to begin at Seattle and to gather recruits as it passed through the States of the Far and Middle West. The farmers' demonstration, however, was expected to be orderly and not more than 350 to 500 men were to attend the conference, where a petition was to be drawn up for presentation to Congress.

The "hunger march" was somewhat different and in part, at least, had Communist inspiration. The marchers started toward the capital late in November so as to be present in full force when Congress convened. Washington police prepared to prevent violence, but otherwise hoped to maintain a hands-off policy. Charitable organizations in the District of Columbia issued warnings that they could not and would not provide food and shelter for these demonstrators. Nevertheless, the units of the "army" began to converge on Washington and it was estimated that at the opening of Congress about 3,000 persons would be on hand to demand unemployment relief.

Both the hunger march and the farmers' conference were the result of the continued lag in economic improvement. In these pages a month ago an attempt was made to survey the nation's progress toward recovery, a survey which disclosed many contradictions. These have not disappeared. The election of Governor Roosevelt to the Presidency and the overwhelming victory of the Democrats seemed to give business men new hope, partly because of the tremendous mandate given to the Democracy, which promised an end to the pulling and hauling between Executive and Legislature which have been so constant for many years. Perhaps there was some psychological value in a change at Washington and certainly there was relief that the election was over. With business agreeing that a Democratic victory would not be harmful, the press continued printing its optimistic accounts of a business upturn. But once again the proof of that upturn was hard to find.

The weekly index of business activity compiled by *The New York Times* has shown little sign of any real progress. For the week ended Oct. 29 it stood at 55.5 as compared with 55.4 for the previous week; a week later it dropped to 55.2, then to 55.1, but for

the week ended Nov. 19 it rose again to 55.8. During October automobile production fell to 48,934 cars, the lowest figure since records of output have been kept. Steel manufacture, car loadings and electric power output helped to keep the index of business activity down, although it should be pointed out that the index shows that business is at least holding its own and is slightly better than last Summer, when the index at one time stood at 52.2. During October thirty-three of the first sixty-two railroads to report on their finances showed increased net operating income compared with the same month a year ago. This improvement is largely the result of drastic reductions in operating costs.

As a whole the banking situation of the country seemed stronger in November, despite troubles in the Pittsburgh area and a crisis in Nevada, where a twelve-day bank holiday was proclaimed on Nov. 1. The R. F. C. reported on Nov. 28 that during October it had authorized fewer bank loans than in any month since it was established. Moreover, many institutions have canceled advances which were approved but never drawn upon. Meanwhile, the nation's gold stock continued to rise, while the amount of currency in circulation, though falling slightly, was still for the week ended Nov. 30 \$130,000,000 above the amount for the same week in 1931. Bank clearings for the week ended Nov. 9 were 37 per cent lower than at the same time in 1931.

The same disheartening picture is apparent when other business indices are examined. Between Sept. 8 and the latter part of November *The New York Times* composite average of fifty stocks lost 48½ per cent of the gain made in the late Summer, while the average of forty bonds lost 41½ per cent. Commodity prices, which improved encouragingly in July and August, showed a loss of 1.1 per cent in the weeks between Sept. 6 and Nov. 22. Wholesale prices, according to the

Department of Labor's index, fell from 64.9 for the week ended Oct. 8 to 63.9 for the week ended Nov. 5, on the basis of 100 for the year 1926. Prices for farm products have continued to decline until the gross income from agricultural production for 1932 is estimated by the Department of Agriculture to be only \$5,240,000,000—\$1,715,000,000 less than in 1931 and \$6,710,000,000 below the total for 1929.

Employment, of course, reflects business conditions; improvement has been slight but without significance. During October industrial employment showed an increase of 1.1 per cent over September and payrolls were 3.8 per cent higher. The most pronounced gains were in coal mining, and must be considered largely seasonal. Despite this improvement, William Green, president of the American Federation of Labor, declared at the convention of that body at Cincinnati on Nov. 21 that 12,000,000 were unemployed—in part because of child labor.

This convention of the A. F. of L. was notable in many ways and particularly for its espousal of measures which have long been opposed by organized labor. Not only did groups at the convention urge a fight for the five-day week and the six-hour day but the convention supported the action of its executive council in approving the principle of compulsory unemployment insurance under State auspices, with the entire cost borne by industry. Speaking in favor of the shorter working day and working week in relation to unemployment, President Green declared: "We have got to bring about a condition where industrial management will be compelled to apply the shorter workday and workweek universally and simultaneously in all industry. \* \* \* We will not be denied the realization of this great reform. It will be given to us in response to reason or we will secure it through force of some kind." The convention discussed the

matter of wages, and again its president addressed the delegates in militant fashion, saying: "Since 1929 purchasing power has been reduced billions of dollars. How is it possible in 1932 to buy and consume the same amount as was bought and consumed in 1929 when buying power is \$30,000,000,000 less? Prosperity will never return to our fair nation until we put back in the hands of the people the power to buy goods."

The words of Mr. Green and the whole tone of the discussions in the A. F. of L. convention met with disapproval among American conservatives, yet somehow a new labor attitude is to be expected. Since business and political leaders have been unable to prevent unemployment or adequately take care of men out of work, it is not to be wondered that organized labor, after three years of silence and inactivity, at last is showing some signs of taking care of its own. The only real surprise is that labor has waited so long and even now is proposing nothing which is not in line with American traditions.

Meanwhile, unemployment remains and methods for combating it seem to be as ineffectual as ever. The "share-the-work" movement, which has been under way for several months, may have achieved some success, though it is difficult to determine how much. At a dinner at the Waldorf-Astoria in New York City, at which 700 business leaders discussed the "share-the-work" idea, it was stated that 3,500 companies throughout the nation had put the plan into effect; no estimate was made of the number of men affected—certainly the results are not apparent on the surface.

Private agencies are being asked, as they were last Winter, to carry a large part of the burden of unemployment relief. In New York City late in November a drive to raise \$15,000,000 for relief work was opened with a speech by Newton D. Baker. In other cities of the nation great efforts are being expended to obtain enough



funds to provide for the millions of people whom lack of work has reduced to destitution. Food and clothing have been distributed among the needy by the Red Cross, as the result of Congressional authorization of the use for this purpose of 85,000,000 bushels of wheat and 500,000 bales of cotton held by the Farm Board. On Nov. 12 the Red Cross announced that with these supplies it had fed 20,000,000 persons and given clothing to about 15,000,000.

In the midst of the more striking developments in the country some less conspicuous but no less important happenings deserve to be recorded. Of considerable significance in the history of American justice was the Supreme Court decision on Nov. 7 for a retrial of the seven Negroes condemned to death in the so-called Scottsboro case. This case, which arose from the alleged attack of nine Negroes upon two white girls in Alabama, had been the cause for radical agitation throughout the United States and foreign countries. At the trial of the nine Negroes one was acquitted and eight were condemned to death, but the conviction of one was reversed on appeal. The basis of the Supreme Court's decision was that the Negroes had been denied the right of counsel, guaranteed to them under the due process of law provision of the Constitution.

Another court action of interest was the consent decree of the United States District Court at Wilmington, Del., on Nov. 21, which ordered the distribution over certain specified periods of all stock in the Radio Corporation of America owned by the General Electric Company and the Westinghouse Electric and Manufacturing Company. The decree also provided for altering the patent licensing arrangement between these companies and for numerous corporate changes. The dissolution of this "radio trust" was hailed by many people as the most important action under the anti-trust laws since the decree against the packers in 1920; yet any one familiar with pre-

vious dissolutions will suspect that the distribution of the securities held by the members of the trust will not prevent the establishment of a "community of interest."

The Committee on the Costs of Medical Care, which for five years, under the chairmanship of Ray Lyman Wilbur, Secretary of the Interior, has been investigating American medical practice, issued its report on Nov. 30. Socialized medicine on the basis of group practice and group payment, with community medical centres, was the committee's final recommendation, a conclusion from which thirteen of the forty-eight members of the committee dissented. Immediately, conservative journals and members of the medical profession attacked the report as pointing toward "State medicine," a criticism which Dr. Wilbur met with the reply that the medical profession was tending toward some sort of community organization whether it liked it or not. While this report may not achieve any immediate results the findings embodied in it provide a mine of information on American medical practice, and it is highly significant that a study of this sort reaches the conclusion that socialized medicine is the prospect for the future.

#### THE BURDENS OF EMPIRE

The issue of independence still dominates the news from the Philippines. On Nov. 6, sitting as an independence commission, the Filipino Legislature adopted a resolution calling for immediate independence. Senator Quezon, who presented the resolution, declared that he would be willing to wait ten years for independence if the United States would immediately make the islands "autonomous in name as well as in fact." The resolution requested the shortest period possible for transition from the present status to independence, a trade agreement between the United States and the islands, and greater autonomy at once. Nevertheless, the issue of independence is badly confused, since the Filipino Legisla-

ture has urged immediate freedom, but has repudiated bills now before the American Congress, while the islanders have set up conditions which they know Congress will not grant. Although some American Senators expect a vote on the question of independence during the present session of Congress, it is most probable that the independence bills will be lost in the crush of more pressing business.

A protective tariff which Governor General Theodore Roosevelt urged in a message to the Philippine Legislature on Oct. 20 was enacted early in November and signed by him on Nov. 15. The Legislature has also provided for reorganization of the government on the basis of his recommendations, a reform which it is estimated will lower the costs of government 30 per cent.

In the other outlying possessions of the United States conditions are varied. Hawaii has been hard hit by the low price of sugar and the inability to market the pineapple crop to advantage. The islands, moreover, are

worried lest Congress restrict the self-government which has existed since annexation to the United States.

Puerto Rico, afflicted with hurricanes, overpopulation and desperate poverty, is struggling with the need of reducing government expenses so as to prevent a budget deficit in the present fiscal year. What the economic and social future of the island may be is, of course, uncertain, but it is interesting to record that the recently elected Resident Commissioner in Washington, Santiago Iglesias, is an advocate of greater autonomy and legislation which will provide for improved housing, workmen's compensation, unemployment aid and factory inspection. Finally, the Legislature of the Virgin Islands has protested that a new organic act prepared at the instance of Governor Paul M. Pearson does not represent the will of the people. But the problems and needs of all these regions receive little attention from the American people, who are too closely concerned with affairs at home to consider the burdens of empire.

---

## Central American Treaties of Amity

---

By CHARLES W. HACKETT

*Professor of Latin-American History, University of Texas;  
Current History Associate*

---

**O**PPPOSITION to the renewal of the Central American treaties of peace and amity which were signed in Washington in 1923, and which the United States Government endorses in principle, was championed by Costa Rica during November. These treaties were to be automatically renewed for ten years on Dec. 31, unless they were denounced by at least three of the signatory powers. On Nov. 12 President Ricardo Jiménez stated that Costa Rica would denounce the treaties.

Costa Rica's chief object in taking

this action seems to be a desire to secure greater freedom with regard to recognition of governments in the other Central American countries. Under the Central American treaties governments coming into power in any of them as the result of revolution or force may not be recognized by the governments of the other Central American States "so long as the freely elected representatives have not constitutionally reorganized the country." Referring to the subject of recognition, President Jiménez stated that during his former administra-

tion, from 1924 to 1928, his government had not recognized the government of Adolfo Díaz in Nicaragua, having interpreted the treaties to prohibit such recognition, but that the United States, "looking at the case from a different point of view," recognized Díaz.

In furthering Costa Rica's opposition to a renewal of the treaties, Foreign Minister Leonidas Pacheco left San José de Costa Rica by airplane on Nov. 22 to visit the other signatory countries, with the exception of El Salvador, to promote a concerted movement to denounce the treaties. El Salvador was omitted from the itinerary on the ground that the government of President Martínez has never been recognized because of provisions in the treaties of 1923. From Washington it was reported that the proposed tour of Foreign Minister Pacheco would be watched closely by the Department of State, but that no move had been made to counteract it. The official attitude of the Department of State has been that the treaties are chiefly the concern of the five Central American powers that are signatories to them. The admission has been made, however, that in sponsoring the treaties the United States has a deep interest in them and is morally committed to them.

#### **LIBERALS WIN IN NICARAGUA**

Final returns from the Presidential election held in Nicaragua on Nov. 6 gave a total of 53,478 votes to the Conservative candidates, Adolfo Díaz and Emiliano Chamorro—both of whom are ex-Presidents—and a total of 76,030 votes, or a majority of 22,552, to the Liberal candidates, Dr. Juan B. Sacasa and Dr. Rodolfo Espinosa.

As the election was supervised by an election board presided over by Rear Admiral Clark H. Woodward, U. S. N., and as United States Marine detachments were on duty at the polls, the election of Dr. Sacasa constitutes a curious political anomaly. Dr. Sa-

casa, who was prevented by the marines from exercising his legal right of succession to the Presidency in 1926, has now been elevated to the Presidency of his country by a substantial majority in an election supervised by the marines.

In addition to winning the Presidency and Vice Presidency the Liberals elected six Senators and fourteen Deputies. As a result the next Nicaraguan Senate will consist of sixteen Liberals and eight Conservatives and the Chamber of Deputies will contain twenty-nine Liberals and fourteen Conservatives.

#### **RETRENCHMENT IN PANAMA**

By Nov. 15, or within six weeks after President Arias assumed office, governmental expenditures in Panamá had been cut \$150,000 a month and the current deficit had been reduced from \$200,000 to \$50,000. These retrenchments necessitated the discharge of hundreds of government employes and the abolition of numerous positions.

#### **REBELLION IN HONDURAS**

Dissatisfaction over the recent Presidential elections in Honduras resulted in armed rebellion in mid-November. In the elections of Oct. 30 General Tiburcio Carias Andino, the Nationalist-Conservative candidate, who was supported by the government of President Mejia Colindres, won against Angel Zuñiga Huete, the Liberal nominee. Insurgent Liberals were reported on Nov. 14 to have captured Nacaome, only sixty miles southwest of Tegucigalpa and the key to the southern district of Honduras; at the same time they captured San Pedro, on the northern coast, where 300 men were officially reported to have been killed or wounded in twelve hours of heavy fighting between government and insurgent troops for possession of the city.

A unified plan of action to cope with the emergency resulting from the rebellion was considered at a Cabi-

net meeting on Nov. 17, which was attended by President-elect Andino and former President Paz Barahona. Government forces were reported on Nov. 18 to have recaptured Nacaome with but slight resistance from its Liberal defenders. On the same day President Mejía Colindres called upon Congress to meet in extraordinary session on Dec. 15 to consider the political situation arising from the rebellion.

#### *MARTIAL LAW LIFTED IN CUBA*

On Dec. 1 President Machado signed a decree restoring constitutional guarantees throughout Cuba except in Havana Province. Thus, martial law, which has been in force since the rebellion in 1930, except for two weeks preceding the last election, has finally been lifted from five of the six provinces. As to Havana, President Machado stated in the decree: "I hope that in the near future I shall be able also to re-establish guarantees in Havana. \* \* \* Only the high responsibilities of maintenance of public order restrain me from doing so at present. As soon as I deem it safe the Constitution shall also become fully effective here."

This hopeful step follows directly upon the sweeping victory which the Administration party won at the polls on Nov. 1. While the three major parties—the Liberal, the Conservative and the Popular—and the recently organized Progressive party, put candidates in the field, the elections were merely contests between individuals, all of whom were frankly supporting the government, and no national issues were at stake. Liberal Governors were elected in five out of the six provinces and Liberals won a majority of the seventy contested seats in Congress. The Cooperative Conservatives, who are in full accord with the administration, elected the Governor of the province of Pinar del Rio, where the Conservatives have always had a majority.

Southern Cuba was swept by one of the most disastrous hurricanes in its history on Nov. 10. The entire

province of Camaguey was laid waste; the town of Santa Cruz del Sur, on the southern coast of the province, was wiped out. More than 2,500 persons were killed and many more injured.

#### *CLIPPERTON ISLAND AWARD*

Despite the approval by the Foreign Relations Committee of the Mexican Senate of the King of Italy's arbitral award of Clipperton Island to France, opposition has arisen in the Mexican Congress and action on the award has been indefinitely postponed.

In 1858 the commander of a French frigate raised the French flag over the island in the name of Napoleon III. That, according to Mexican arguments, was an isolated incident, not made known to the world, and did not invalidate Mexico's claim to the island through its discovery by her Spanish conquerors. In 1897 a Mexican officer commanding the gunboat *Demócrata* visited the island, evicted its only inhabitants, namely, one American, one Englishman and one German and hoisted the Mexican flag. The dispute as to ownership that was thus precipitated was referred in 1909, at the request of President Díaz, to the King of Italy. Under the terms of arbitration, neither party was to appeal from the arbiter's award.

Early in 1931 King Victor Emanuel awarded the island to France, and in December, 1931, the Mexican Government, after announcing that the case would not be dropped until it had been satisfactorily settled, appointed a commission to study the award. Considerable opposition developed on the ground that the award had been influenced by an Italian desire for Mediterranean naval concessions from France.

The recommendation of the Foreign Relations Committee of the Mexican Senate on Nov. 9 indicated the end of Mexican opposition to the award, but on Nov. 14, the Senate indefinitely postponed action on the recommendation. Considerable discussion arose as to the attitude that the United States would take toward the



acquisition by a European power of an island only 600 miles out in the Pacific Ocean. Though Mexico has formally refused to recognize the Monroe Doctrine, the United States has consistently interpreted it as not permitting, even voluntarily, the transfer of any American territory to a European power. In cases of arrangements which threaten the security of the United States, it is now the policy of the United States to regard the Monroe Doctrine as operating "against the European country, not the American nation." The Mexico City newspaper *El Grafico* said on Nov. 14 that the action of the Mexican Senate in postponing action on the recommendation was based on a desire to avoid embarrassing the incoming Roosevelt administration in Washington.

On the ground that the arbitral award of the King of Italy cannot be accepted without an amendment to the Mexican Constitution, which prohibits the cession of national territory to a foreign power, the Association of Genuine Soldiers of the Revolution late in November sent messages to all State Governors urging delay in the ratification of such an amendment, which would require the approval of two-thirds of the States. The messages stated that since the King of Italy took more than twenty years to make the award it would not be unreasonable for Mexico to delay her acceptance for a similar period.

#### MEXICO'S NATIONAL RESOURCES

The intention of the Mexican Government to insure as national reserves Mexico's numerous mineral resources took practical form with the issue on Nov. 4 of a Presidential order. The order instructed the Ministry of Industry, Commerce and Labor to "proceed as soon as possible to declare as national reserves all free lands that can be exploited for the following

substances: Gold, copper, antimony, mercury, aluminum, phosphates, nitrates, coal, platinum, iron and bismuths." The order was popularly interpreted in Mexico City to mean that further grants of exploitation rights in Mexican territory that can be worked by Mexican interests are unlikely, but that existing grants held by foreigners will be respected.

The enactment of legislation that will place the electric power industry under government control on the same basis as mining and petroleum production was requested by President Rodríguez in a special message to Congress on Nov. 19. In Mexico City the President's message was interpreted as a move to supersede with national control the legislative enactments of different States, notably those of Vera Cruz, which has shown a distinct prejudice against foreign-owned enterprises.

Advance payment to the Mexican Government of \$7,000,000, which is to stand as credit against taxes falling due over a period of forty months, was made early in November by three foreign oil companies operating in Mexico. The British-controlled Aguila and Huasteca companies advanced \$3,000,000 each and the Pierce Oil Company, an American corporation, advanced \$1,000,000. Finance Minister Pani announced that the loans will be used to strengthen the peso and aid agriculture and industry, rather than to balance the Mexican budget.

The twenty-second anniversary of the great economic and social revolution that was initiated by the martyred Francisco Madero was observed on Nov. 20. A great parade through the streets of Mexico City was reviewed by President Rodríguez, his Cabinet and the Diplomatic Corps. Nearly 30,000 athletes, representing twenty of the twenty-eight States of the Mexican nation, participated in the parade.

# The War in the Chaco

By HENRY GRATTAN DOYLE

*Professor of Romance Languages, George Washington University;  
Current History Associate*

IN contrast with the relative domestic tranquillity throughout the continent, international relations among the South American States, as the end of 1932 approached, presented a gloomy prospect unmatched since December, 1928, when the territorial dispute between Bolivia and Paraguay over the Chaco first entered upon its recent acute phase. For more than six months an unofficial war, waged on both sides with determination, bravery and even ferocity, has cost the two countries as great a price in lives and treasure as would have been the case had they declared war in the traditional manner. As this is written a stalemate seems to have been reached, not only in the military operations of the contending countries, but in the unremitting efforts of neutral governments to compose the quarrel and find a solution to the territorial problem involved.

The Paraguayan drive described here last month seemed likely to continue its series of successes as November opened. On Nov. 6 the Paraguayans captured Fort Platanillos, hailed as their greatest victory since the taking of Forts Boquerón and Arce. Platanillos, situated about forty-three miles west of Boquerón and forty-four miles northwest of Arce, not only commands a north and south road, but one running east and west as well. It is the junction point for the northern approach to Fort Muñoz, the Bolivian concentration centre in the Pilcomayo sector, and was the most favorable Bolivian base for counter-attacks on Arce and Boquerón. Because of its fall, the Bolivians were forced to trans-

port their troops and supplies along the Pilcomayo valley route through Linares and Magariños, rather than by the higher and drier route through Cabezón and Platanillos. This, in the rainy season, undoubtedly added greatly to their difficulties. The following day the Paraguayans struck twenty-five miles further north and captured Fort Bolívar, commanding roads to Forts Toledo and Corrales, which were taken earlier in the campaign. On Nov. 9 they occupied Fort Loa, about sixty-nine miles north of Platanillos, and Fort Jayacuba, also in the northern sector.

In the south, however, the Paraguayan advance made little progress during the month, in spite of almost continuous fighting and heavy casualties on both sides. The drive in this sector, based on Fort Nanawa, or Presidente Ayala, and having as its ultimate objective Fort Muñoz, the Bolivian headquarters, encountered stubborn resistance. Forts Samaklay, or Agua Rica—the only Paraguayan fort still held by the Bolivians—Saavedra and Marguía withstood repeated attacks, and were still holding out at the time of writing. Both sides seem to agree that the struggle for these three forts has been the greatest battle of the war. Bolivian success in stopping the Paraguayan advance at this point is attributed in Buenos Aires dispatches to the use of long-range mortars bought from Belgium in 1928. These guns, brought from Valla Montes, 220 miles away, over almost impassable roads, required eighty days to reach their destination.

Meanwhile both countries increased

their forces. Paraguay called all men of military age who had been allowed to remain in Asunción, as well as boy scouts between fourteen and seventeen years of age, who, according to reports, will be used for communication, ambulance and sanitation work and other auxiliary services at the front, relieving men for active fighting. Bolivia is also reported to have called up further reserves, and to be preparing an army of 30,000 fresh men against the arrival of General Hans Kundt, the German officer who formerly trained the Bolivian army and who was forced to leave Bolivia at the time of the overthrow of the Siles régime. General Kundt left New York on Nov. 17 for La Paz.

Reports of heavy casualties among their opponents, and extensive captures of arms and equipment come from both sides in the struggle, accompanied by charges of atrocities. On Dec. 1 the Paraguayans protested to the League of Nations against the alleged bombing of a hospital at Isla Poi by three Bolivian planes. It was also charged that the Bolivians had bombed a hospital at Fort Boquerón. Bolivian reports stated that the Paraguayans were sent into battle under the influence of liquor. Each side has denied the other's reports of inflicting heavy losses.

Meanwhile efforts by the neutral governments to bring about the cessation of hostilities did not cease. It was reported on Nov. 3 that the Argentine Foreign Minister, Dr. Saavedra Lamas, had sent a note to the commission of neutrals meeting in Washington in which Argentina took the position that the neutrals have no right to use force or compulsion against either Bolivia or Paraguay, and that the neutrals' efforts should be limited to the use of good offices and moral influence. The text of the note was not published until Nov. 16, although it had been sent on Sept. 26. On Nov. 17 Argentina published a proposed South American anti-war pact, intended "not to revoke but to complement

the Briand-Kellogg pact" embracing provisions to outlaw war, to refuse to recognize territorial acquisitions made by force, to establish sanctions against an aggressor nation, including joint action to enforce all political, juridical and economic measures authorized by international law, but specifically pledging the signers not to use armed intervention or diplomatic pressure unless authorized by previous treaties to which the aggressor nation is a signatory. Machinery for conciliation was also to be set up.

Argentina's efforts to play a lone hand was reported unofficially as due to a desire to regain South American leadership in international affairs, lost under former President Irigoyen because of the latter's indifference to such matters. The place on the Inter-American Conciliation Commission now held by Uruguay is understood to have been offered to Argentina and refused by Dr. Irigoyen. In this connection it is worthy of note that Argentina's intention to rejoin the League of Nations, announced in September, was accompanied by a resolution adopted by the Argentine Chamber, which stated that Argentina regards the Monroe Doctrine, mentioned in Article XXI of the pact, as "a unilateral political declaration which in its time performed a notable service to the cause of American emancipation, but that it does not constitute a regional agreement as stated in the aforementioned article." It will be recalled that Mexico entered the League with a similar reservation.

The League of Nations renewed its efforts to aid in settling the Chaco problem when on Nov. 25 it cabled the two contenders and the Washington Commission of Neutrals urging that the proposed military commission to effect a truce in the Chaco be set up at once. This commission would be named by the commission of neutrals in Washington, in accordance with the commission's proposals of Sept. 14, 1932, which called for a demilitarized zone twenty kilometers wide be-

tween the combatants and immediate cessation of hostilities. Eamon de Valera, president of the Council of the League, in a statement given out at Geneva, called attention to the fact that one of the obstacles to peace in the Chaco was the willingness of foreign manufacturers to sell arms to the combatants. President-elect Alessandri of Chile, in a statement on Nov. 12, referred to the war in the Chaco as a "crime," but suggested that American agencies were better equipped than those of Europe to deal with the problem.

On Nov. 28 Paraguay notified the League that it was disposed to stop the war "provided effective guarantees were established." Bolivia on Dec. 1 replied to the League cable that she was disposed to suspend hostilities at once," but that "Bolivia is the country aggrieved and it is not the country on the defensive that should be asked to cease hostilities." "Paraguay," according to the reply, "begins by supposing that the disputed territory is its legitimate inheritance, and wishes to impose its abandonment, an unacceptable condition, in the negotiations with the neutrals." This is but a reaffirmation of the positions taken by the two countries in September-October with respect to the proposals by neutrals.

#### THE LETICIA QUESTION

The seizure by a group of Peruvians on Sept. 1 of the little town of Leticia, ceded to Colombia under the terms of the Salomón-Lozano treaty, brought those countries to the verge of war. Contact between the armed forces of the two nations, resulting perhaps in bloodshed as regrettable as that in the Chaco, seemed likely to occur at any moment, while diplomatic efforts to compose the matter appeared to be fruitless. Because of conflicting three-fold claims in the so-called "Oriente" region, of which the Leticia question is only a phase, it seemed possible that Ecuador might also be involved because of her territorial claims in the vicinity. Further complications were

threatened if Ecuador's neutrality were violated in an attempt by Peru to take the most direct route for her troops to Leticia, namely, across Ecuadorean territory. A report in *La Razon* of Buenos Aires, on Nov. 23, indicated that Brazil and Chile were negotiating a secret treaty jointly guaranteeing Ecuador's neutrality, officially declared by the latter a short time before. Brazil's own neutrality, because of the close proximity of her territory to the focal point of the dispute, might likewise be threatened in case either Colombia or Peru should undertake extensive military operations.

An attack on Peru's policy in the Leticia dispute by Dr. Max Winkler, president of the American Council of Foreign Bondholders, was issued on Nov. 14. "Peru is one of the arbiters between Bolivia and Paraguay and deliberately embarks on a venture similar to theirs, but far more dangerous," according to Dr. Winkler's report, which contrasts Colombia's policy in "courageously maintaining service on its foreign obligations throughout the crisis," with Peru's reported intention to spend \$5,000,000 on ammunition, while holders of Peruvian bonds wait for resumption of interest payments.

Dr. Pedro Irigoyen, Peruvian Ambassador to Chile, in a statement on the same day, suggested revision of the Salomón-Lozano treaty of 1922, under which Leticia was delivered to Colombia, and declared that Colombia's failure to deliver to Peru certain lands lying between the Putumayo and San Miguel Rivers is sufficient reason to declare the treaty null and void. This was denied by the Colombian Minister to Chile, Dr. Ricardo Sánchez Ramírez, who in a statement on Nov. 19 declared that Colombia had carried out all the provisions of the treaty, which was ratified by the two countries and registered with the League of Nations.

On Nov. 26 it was reported that Peruvian regulars under General Ordóñez had occupied Leticia.



# Britain's Unemployment Problem

By J. BARTLET BREBNER

*Assistant Professor of History, Columbia University; Current History Associate*

ALTHOUGH the British Parliament considered a great deal of varied business during November, nearly all of it had to do with unemployment, and the unemployment situation itself was persistently discussed in relation to British conditions generally. The existing Conservative majority in the National Government was determined to effect the greatest possible savings and successfully opposed the Labor thesis of "work or maintenance" without investigation of the resources of the beneficiary. A temporary bill to secure uniformity in the "means test" was hurried through Parliament. It contained provisions to protect about 50 per cent of the beneficiary's income from a disability war pension, workman's compensation and savings. The year's alterations in unemployment administration have already saved about £8,000,000 annually.

The government was strengthened during the debates by an improvement, unusual for October, in the figures of unemployment. There were 246,000 more employed than at the end of September. But the total number of registered unemployed at the end of October was 2,747,006, or 20,914 more than the figures for the same period in 1931. The end of the spinners' and carders' strike on Nov. 5, as the result of balloting among the workers, was largely responsible for the improvement, but the iron and steel industries as well as textile manufacturing absorbed more workers. Nevertheless, realists are now aware that widespread unemployment is likely to be constant, in spite of what may happen to business conditions generally.

Discussion of relief of unemployment inevitably centred on the report of the Royal Commission on Unemployment which was published on Nov. 7. The government promised legislation embodying its recommendations in the light of Parliamentary criticism in the Spring. Apart from the Labor members' minority report, which found the majority proposals "fundamentally unsound," the commission made some far-reaching proposals.

It is thought that the whole apparatus must be consolidated under one act and that administration must be handed over to an independent commission. In the light of a chronic average of 13 per cent unemployment, it recommended that insurance, relief and poor-law aid be separated. Thus the insured worker would be entitled to unemployment payments from a solvent insurance fund for from 13 to 39 weeks in one year according to premiums paid and benefits drawn during the past five years. If his insurance benefit should run out, he and, it was suggested, all able-bodied but uninsured unemployed with some special occupational exceptions should be eligible for relief dispensed by local public assistance committees. The funds for this would come chiefly from the exchequer and would be dispensed in amounts lower than wages and determined in relation to means. Uniformity would be secured by the direction of the central authority. The poor-law relief, largely financed locally, would be for the benefit of those not able-bodied or those whose unsatisfactory behavior made discipline necessary.

Negligible changes in payments

and benefits were recommended. There should be annual revision of finances and amortization of the existing insurance fund debt. It was calculated that with a register of 3,000,000 unemployed the new scheme would cost the exchequer £81,670,000 annually instead of the present £84,600,000. The commission devoted a great deal of attention also to schemes for the training and occupation of the unemployed.

The debates made it clear that the government had definitely abandoned public works as a cure, both because of general budgetary considerations and of the great cost under this method of keeping a single man at work. The Conservative thesis, with which Mr. MacDonald identified himself, was that only improvement in the national economy could diminish unemployment. Inasmuch as the present domestic tariff and Ottawa imperial agreements represent a completed commercial and industrial program, attention was naturally diverted to domestic agriculture, which was in a disastrous condition because of the decline in meat prices. Relations with the dominions and foreign countries regarding meat importations were already very delicate, but under pressure from its own back-benchers and rural members the government negotiated with the exporting countries for a series of voluntary reductions by approximately 20 per cent for November and December at least.

#### STERLING AND THE WAR DEBTS

Although the international aspects of the present crisis in British debt payments to the United States (see pages 453-456 of this issue) were of the first importance, the domestic situation which developed during November had far-reaching effects. At the beginning of the month the pound stood at \$3.30; it rose by 4 cents when the British Government, immediately after the Presidential election, asked for a postponement of the Dec. 15

payment and reconsideration of the settlement, and it fell steadily when it became apparent that Congress would insist on that payment. By Nov. 29 it had broken through its record low of Feb. 4, 1920, to touch \$3.14½ and recover to \$3.15½. Only a settlement of the financial relations of the United Kingdom and the United States seemed capable of arresting the decline.

The British regarded the situation as a confidence crisis and were inclined to emphasize the fact that, since half the world had its currencies linked to sterling, decline in their purchasing power must be reflected in a decline in gold commodity prices. The falling prices of cotton, wheat, silver and copper in the United States bore out this prediction. From the British domestic point of view the effects were at least as serious. The \$95,500,000 due on Dec. 15 could be paid in gold, but this would require one-seventh of a gold reserve which is already too slender. The purchase of dollars would have the same effect of making the pound vulnerable to the attacks of speculators and thereby aggravating the situation. The real obstacle to security in making the payment now was, of course, the decline in international trade. As *The Economist* (London) pointed out, the United Kingdom is committed to paying to the United States every year four times the amount of her exports to the United States. The British taxpayer saw the situation in the terms given him by the Chancellor of the Exchequer on Nov. 25. The payment would raise his income tax from 25 per cent to 30 per cent.

This delicate situation was handled with remarkable propriety by Parliament and the nation, although the Rothermere and Beaverbrook press exploited it somewhat for domestic political purposes. The government did not ask for cancellation and admitted that it could pay, but in its second note rehearsed the bad affects on the world as well as Great Britain which

it thought must accompany the transfer.

Naturally there were domestic repercussions. A supplementary budget had to be envisaged, and the continued decline of the pound set up strains and counter-strains in the delicate economic structure which had been built up during the past year. Export trade was stimulated, for instance, while purchasing power diminished at the season of greatest annual purchases. Surprisingly enough, although sterling declined by 3 per cent in three weeks before Nov. 25, the wholesale price index rose only from 62.5 to 63.1. The exchange equalization fund, of which so much had been expected, was too small to cope with international pressure in anticipation of further decline in the pound. In all, the effects of the crisis were beyond the normal relation to the amounts involved, because of the delicacy of the British credit position, the size of the sterling area, the accompanying collapse of gold commodity prices and the present strangulation of international trade.

The trade figures for October were encouraging for, contrary to much of the rest of the world, British export trade was almost holding its own as compared with 1931 and imports continued to be reduced. The figures, with those for 1931 in parentheses, were as follows: Exports £34,130,000 (£38,109,000), imports £60,820,000 (£80,685,000), adverse balance £26,690,000 (£42,576,000). The adverse balance for the first 10 months was £236,769,000 (£323,221,000). The index of industrial activity for the third quarter declined by only 2.2 per cent from 1931.

#### THE ANGLO-IRISH DISPUTE

Neither the Anglo-Irish struggle nor the domestic disagreements in the Irish Free State have changed in character, and President de Valera was able, with Labor support in the Dail, to defeat a motion of censure on his policies by 75 to 70 on Nov.

15. In connection with its efforts to protect the British farmer against further decline in farm prices the British Government raised the duty on Irish live cattle from 20 to 40 per cent and on poultry, pork and dairy products from 20 to 30 per cent. The Free State Government responded by increasing its export bounties, but these could not be large enough to save the Irish farmer from almost disastrous consequences. On the other hand, de Valera is now funding the disputed land annuities so as to use part of the proceeds for relief during the transition to economic self-sufficiency.

In reply to a speech by de Valera in which he said that "what is involved is whether or not the Irish nation is going to be free," and "so long as this government is concerned the land annuities will never be paid," J. H. Thomas said that if the Irish Free State would admit its legal obligation in the matter of the annuities, the United Kingdom was not only still willing to arbitrate but, contrary to de Valera's assertion, was ready immediately to open up to the Irish Free State the advantages of the Ottawa agreements as made with other dominions.

Donald Buckley on Nov. 26 took the oath as Governor General in succession to James McNeill. He is a modest, obscure, retired country shopkeeper who took part in the 1916 rebellion and was a Sinn Féiner and member of the Irish Republican Army. He has been a personal friend of President de Valera. It was reported that he would not live in the Viceregal Lodge or go to London to kiss the King's hands as becoming his viceroy, but would dispense with as much ceremony as possible in the interests of economy and of de Valera's anxiety to minimize the importance of the office.

The Prince of Wales went to Northern Ireland on Nov. 16 to open the Parliament Buildings at Belfast, which symbolize the determination of

Ulster to remain separate from the Irish Free State. Complaints were made by Ulster Nationalists and by the Republicans of the Free State that the Prince's visit would serve to aggravate an unfortunate and unnatural division. Some sporadic disturbances did not interfere with the reception which the Ulster Loyalists gave the Prince.

#### CANADIAN CONDITIONS

Measured by the contrast between the decline of the Canadian dollar and the improvement in Canadian trade, November was a perplexing month. The Dominion Government made the experiment in October of licensing the export of only about \$500,000 in gold to the United States in place of the \$5,668,000 of October, 1931, apparently relying on Canada's capture of the North American export market in wheat and a continued favorable trade balance. The dollar fell by a little over 1 cent to 90.68 cents. Then, early in November, Prime Minister Bennett embarked on what he described as "easing of money and credit" by borrowing \$35,000,000 from the banks in two-year notes at 4 per cent and instructing the banks to deposit the notes against the issue of an equal amount of bank-notes. While this procedure was merely the Canadian equivalent of American and British "easy money" practice, it coincided in time with the decline of the pound sterling. Now that Anglo-Canadian trade is expanding and Canadian-American trade declining, movements of the pound affect the Canadian dollar in New York. It fell to 84 cents on Nov. 28 and rose to 84.12 next day. Mr. Bennett announced on Nov. 23 that the legal gold coverage had been and would be maintained, and the government defeated several inflation proposals in the Dominion House of Commons. During November Canada exported \$5,192,800 in gold to the United States.

Meanwhile, Canada had enjoyed the

experience almost unique in the world of having her October exports exceed those of the previous year in spite of the decline in commodity prices. The trade figures and their direction, with the 1931 figures in parentheses, were as follows: Exports \$56,626,000 (\$55,538,000), to the United Kingdom \$26,886,000 (\$20,355,000), to the United States \$13,383,000 (\$20,056,000), imports \$37,095,000 (\$45,933,000), from the United Kingdom \$8,278,000 (\$8,294,000), from the United States \$20,626,000 (\$26,566,000).

The effects of the Ottawa agreements were apparent in accentuating the now established diversion of trade from the United States in favor of Great Britain. Agreement was reached to enable Canadian grain to enjoy British preference if consigned to the United Kingdom through the United States, but not if re-consigned in the United States. Because North American grain movements and storage form an intermittent process which normally completely breaks the link between producer and European consignee several times, that decision meant a severe dislocation of the customary Canadian grain movements through American Atlantic ports during the Winter. Storage and transportation interests in the United States, already hard hit by the drying-up of domestic grain exports, are seriously affected. Although the Canadian shipper between early December and mid-April has to pay for the longer haul to St. John and Halifax, Canadian railways and ports profit. The Cunard Line transferred four passenger-freight vessels from New York to Canadian ports for the Winter to take advantage of the increased trade.

Trade and industry seemed to be holding their late Summer gains against the usual seasonal decline. Wheat prices remained fairly steady in Canadian funds, but of course fell with the Canadian dollar in terms of gold. The paper manufacturers and bankers continued their efforts to



reach a pooling agreement on tonnage, but no success was announced. Employment was better than in 1931, with probably 500,000 unemployed. The Dominion Government and the Provinces were cooperating in a mixed program of direct relief and public works. A selective process of assisted settlement has established substantial numbers on farms. Work camps have been set up for the trans-Canada highway, for repair of the Quebec and Halifax citadels and for the building of airports. Municipalities and private organizations are assisting in the effort to furnish security to all unemployed Canadians.

The domestic Dominion loan floated on Nov. 1 met with a disappointing response because its terms for the long-term issue were a little too close to the open-money market. The short-term issue of \$25,000,000 was taken up rapidly, but by Nov. 25 the twenty-year issue had barely passed the minimum of \$55,000,000, whereas it had been hoped that it would attract \$80,000,000 in subscriptions.

#### THE INDIAN PROBLEM

What it was hoped would be the last preliminary conference before the new Constitution for India is drawn up met in London on Nov. 17. Liberals and friends of Indian nationalist aspirations were entitled to be doubtful of its labors. Its function was described as "consultative," and it was not really representative. The number of members, forty-three, was less than half what it had been at the two previous conferences. There were ten British Parliamentary representatives, eleven appointees for the Native States and twenty-two for British India. There were no representatives of the Indian National Congress and only one, rather remotely speaking, for the Sikhs, while the proportion of ten Moslems to eighteen Hindus was not only out of proportion to the Moslem population but seemed to confirm the suspicion that the British Conservatives have found the Moslems to

be congenial and useful curbs on the Congress Hindus. The British Labor party representatives refused to serve in protest against the restricted agenda of the conference. Some of the other Parliamentary representatives were notable and experienced, but conservatism was not equally balanced by friendly liberal opinion such as that voiced by Lord Irwin and the Marquess of Lothian.

Burma had no representative, because it had been assumed that the Burmese would form a separate autonomous State. This assumption was surprisingly upset by the Burmese general election of Nov. 8, which resulted in a victory for the anti-separationists. Up to the day of election the opposite result had been expected, but Indian money had been supplied generously to assist the anti-separationists. The British Government did not indicate what its future Burmese policy would be, but it was believed that room must be found for Burma in the new Indian federation. The anti-separationists subsequently refused to form a government, and Dr. B. A. Maw, their leader, explained that they regarded the election as a verdict against separation on the basis of the Constitution offered by Great Britain to Burma. They would work for full responsible government for a separate Burma and enter the Indian federation only on terms permitting Burma to secede whenever she wished.

Negotiations between Hindus and Moslems in India continued in the hope of reaching accord on the communal question. Alternating reports of success and failure during November left the situation obscure except that the majority of the Moslems were supporting the British award. The London committee also wrestled with the problem in terms of the British Government's own settlement, as amended after Gandhi's fast on behalf of the Untouchables, and the Lothian franchise plan. The vexed matter of British financial safeguards also was discussed.

# The Perplexities of French Politics

By OTHON G. GUERLAC

*Professor of French, Cornell University; Current History Associate*

SCARCELY does M. Herriot triumph over one obstacle before others present themselves to impede his progress and tax his ingenuity and his indefatigable industry. Whether he will be able to handle the debt question to the satisfaction of his majority remains doubtful. That he has behind him for his general policy the good-will of his own party, however, cannot be doubted after the success of the twenty-ninth annual convention of the Radical-Socialists, which took place at Toulouse from Nov. 3 to Nov. 6. This meeting had a double significance. For the first time in twenty years a convention coincided with the party's control of the government. For M. Herriot, who was returning from his visit to Spain, it provided an opportunity to come into close contact with his supporters and to test their loyalty.

The circumstances were especially auspicious. Toulouse is probably the French city best suited for a meeting of the Radical-Socialist party. It has strong support from the citizens of that region who, for many years, have been trained in radical orthodoxy by an important paper, *La Dépêche*, whose owner, Senator Maurice Sarraut, brother of the Minister of Colonies, is among the most prominent leaders of the party. About 2,000 delegates were present; numerous members of Parliament, including most of the Cabinet Ministers, who are all regular party members, and many former Ministers like Caillaux and Steeg.

The convention listened to reports on the great problems of the hour—economics, finance, foreign affairs, disarmament. Each report, presented

by a specialist, was afterward discussed in what were often very animated and in some cases stormy debates, even if the general spirit was one of harmony. The most sensational incident occurred in the first session when two of the younger members of the party, who because of their extremist tendencies have been dubbed "the Young Turks," attacked with great vigor some policies of the Premier. M. Kayser stressed the necessity of a more aggressive policy in domestic politics, advocating closer ties with the Socialists, while M. Bergery drew up a sharp and bitter arraignment, that was violently resented by the majority, of the whole scheme of French foreign policies, which he accused of a lack of boldness and generosity. These attacks gave M. Herriot an opportunity to defend his policy, which he did with a warmth and an eloquence that carried the assembly off its feet and routed the small group of "Young Turks." Every intervention of the Premier—and he made several—became a personal triumph.

When the convention adjourned, after presenting its program, which called for stringent financial reductions, lower pensions for veterans, reduced salaries for State officials and a strict adherence to the policy of disarmament and peace presented at Geneva, the general impression was that never had the party been more united and better disciplined. This discipline and unity are the result of M. Herriot's strong leadership of his followers. In the final banquet, when the Premier's speech was once more acclaimed, René Renoult, the Minister of Justice, summed up the

result of the convention when he said: "It has been a continuous ovation for M. Edouard Herriot. The party has united around its best representative, the powerful *animateur* of democracy."

The problem raised by the extreme Left of what policy is to be observed toward the Socialists remains an open one. A large section is in favor of an alliance with all the Left elements, barring the Socialists, while the Bergery group is in favor of the old formula of the cartel. In this connection M. Léon Blum, the Socialist leader, in an important speech at Narbonne on Nov. 10, stated bluntly that the support given the Ministry so far would cease the day M. Herriot might deceive the high expectations that he had raised for peace and justice. In that case, he added, the Socialist party would not fail to do its duty, which means that they would be willing to take charge of the government. Whether the offer would be made to them and whether a minority party of 130 members could rule in a Chamber of 614 is another question to which the answer does not seem very clear.

On Nov. 15 the government presented to the Chamber the projected budget for 1933 over which the Minister of Finances, Germain-Martin, had been working during the past months in an attempt to solve the well-nigh impossible problem of meeting a final deficit of about \$320,000,000 without new taxes and without asking too large sacrifices in salary from State officials. The project offers two interesting features: for the first time in twenty-eight years the total asked for is below that of the previous year; in the second place, there is a slight surplus of \$880,000.

To balance the budget after \$160,000,000 had been found to meet the original deficit of \$480,000,000 the Ministers had to have recourse to the much-discussed cuts in salaries and pensions, to the raising of taxes on

certain items, such as *apéritifs*, an additional tariff on coffee, increase in the yield of the income tax by drastic elimination of fraud and new methods of declaration of income, and, finally, loans of more than \$80,000,000. In reducing salaries the government showed that it had heeded the protests of the associations of civil servants, for it exempted all salaries under \$480, beginning at 2 per cent in the lower brackets and never exceeding 10 per cent. To obtain the relatively gratifying result of a favorable balance certain large items of expenditure had to be taken out of the budget. This was the case for the war pensions, which were made a charge on a special fund known as the "Caisse des pensions," which, theoretically at least, is a diminishing charge and will be spread over a long period of years.

This budget will undoubtedly be submitted to the searching criticism of the Chamber, and a long debate may be anticipated, during which there may be many changes in the original project, if one may judge the action of the new Chamber by that of its predecessors. It is more than likely that the government may have to resort next January to the old system of monthly provisional budgets.

The plan for great public works to relieve unemployment and combat the business depression which had been announced two years ago by M. Tardieu, launched by him and then taken up by the present government was described on Nov. 10 in an official statement. It calls for the expenditure of \$280,073,300 in 1933 and 1934 in two equal instalments. The money will be spent for such purposes as extension of electrical equipment, school construction and road building. More than \$120,000,000 will be used to carry on work already started on roads, ports and canals. It is planned to issue a public loan amounting to \$140,000,000 for 1933.

The decline of French revenue has continued at a steady rate. For the

month of October the fiscal receipts were 21 $\frac{3}{8}$  per cent below those of the same month in 1931. The budget deficit, which has been slowly increasing since the beginning of 1932, reached the high point in October of \$30,000,000. This is the record figure attained since the stabilization of the franc. Hoarding seems to have no end in France. During the week ended Nov. 18 the Bank of France's private current accounts rose \$55,000,000 and reached a high peak of \$860,000,000. The gold stock also increased to \$3,267,000,000.

At the very moment when the government announced, as part of its fiscal rehabilitation program, a vigorous campaign against tax evasion a new scandal, dealing this time with tax frauds in high social and political circles, broke out in Paris and was, as is customary, aired at the Palais Bourbon. On Oct. 25 agents of the Finance Ministry discovered that a Parisian branch of a Swiss bank with headquarters in Basle made a practice of paying to its depositors their coupons and revenues on foreign investments without any deduction for taxation either in France or in Switzerland.

The government lodged a charge against the bank, seized its papers, and found among these a list of 2,000 customers who have benefited by this illegal method of evasion. M. Albertin, Socialist Deputy of Bouches-du-Rhone, who received this list from unknown sources, interpellated the government on the whole matter and in the course of the debate mentioned, at the request of the Chamber, some of the names appearing on the lists. Among these were three Senators, one high army official, one newspaper owner and one or two Bishops. The three Senators included a representative of the same Department as the Deputy who made the interpellation, M. Abraham Schrameck, a former prefect and, for a brief period, Minister of the Interior, and two representatives of Belfort and of Alsace,

M. Viellard and M. Jourdain, the last a former Minister of Pensions. Among other well-known people were M. Lapène, one of the editors of *Le Matin*; two great industrialists, the brothers Peugeot, and the wife of the wealthy perfumer and newspaper owner, M. Coty. A Deputy of the Right excused the Bishops by stating that they were acting as trustees for a charity fund. Many resented the fact that the Socialist Deputy revealed only names of people belonging to hostile parties, and it was noticed that *Populaire*, the Socialist organ which was to publish the list, failed to do so.

This scandal, following the one of the Aeropostale, was naturally relished by the Socialists, who have often complained of tax evasions by the privileged classes. The government accepted the motion of the interpellating Deputy and promised to prosecute with the utmost severity these frauds, which a recent law punishes with both fines and imprisonment. It was stated during the debate, on the authority of an official of the Ministry of Finances, that the State has lost through such schemes as much as \$160,000,000 a year. In a statement published by the Swiss bank exonerating itself from all criminal intent this figure was declared to be much too high, and the losses of the State were said to be, in this case, negligible.

The scandal of the Aeropostale Company, the French organization which conducts an air-mail service to South America, continued to fill political gossip during November and came up before Parliament, where the Socialists were anxious to exploit the facts of maladministration and corruption that had been revealed. After the arrest of the forger responsible for the false documents, which accused two officials of plotting with foreign interests against the Aeropostale, the director of the company, André Bouilloux-Lafont, who had at first been considered as only



a victim of the plotters, was arrested on Nov. 23. As he was the head of a company which received a large appropriation from the State, and a close relative of a former Vice President of the Chamber of Deputies, the arrest created a sensation. The whole matter was aired before the Chamber on Nov. 24. Former Premier Paul Painlevé, Minister of Aviation, who is given credit for having discovered the fraudulent character of the papers that were being quietly peddled around the Ministries with charges against the two victims of the plot, Chaumié and Weiller, made an impassioned defense of his subordinates, and told what he had done to clear up the atmosphere of scandal in the department of which he is the head.

A statue to Georges Clemenceau which has been standing since last May in the Champs Elysées near the Petit Palais was officially dedicated on Nov. 24 in the presence of President Lebrun, Premier Herriot, other members of the government and State and municipal officials. The ceremony had been postponed until the end of the period of mourning for President Doumer. Only Madame Albert Clemenceau, widow of the war Premier's brother, represented the family at the ceremonies. Clemenceau's children, who have protested that both the monument and its position are unworthy of him, refused to attend. War veterans bearing the flags of their regiments stood around the statue during addresses by M. Fontenay, President of the Municipal Council, and Georges Leygues, Minister of Marine and former member of the Clemenceau Cabinet. The bronze statue, the work of Francis Cogne, which was unveiled unofficially last May, represents the war Premier attired for a visit to the trenches.

#### THE BELGIAN ELECTIONS

The general elections in Belgium, made necessary by the dissolution of Parliament on Oct. 25, were held on

Nov. 27. The entire membership of the House was affected. In general, the voting was quiet, although rioting occurred between Catholics and Socialists in Antwerp and there were a few clashes of a less serious nature at Eupen and other points.

The results as a whole confirmed those of the October municipal elections. There was a slight falling off of Liberal support and the party lost four seats; the Socialists and the Catholics appeared to be the winners. The Socialists undoubtedly won many votes because of their anti-war platform. The Frontist party, which represents the extreme Flemish element that advocates the separation of Flanders and Walloonian, lost three seats to the Catholics. The Communists, benefiting like the Socialists from the economic situation which has increased the cost of living, gained three seats. Nevertheless, the balance of power in the Belgium Parliament remains unchanged.

The election leaves the strength of the Catholic-Liberal coalition, which has been ruling Belgium, undisturbed in the Chamber of Deputies. It still has 103 votes against 84 for the Opposition. The Liberals, however, are divided on the question of remaining in the coalition, and the resignation of the Broqueville Cabinet is predicted. M. Hymans, Minister of Foreign Affairs, whose fate was uncertain at first, was re-elected and he was able to go to Geneva to resume the presidency of the committee of nineteen which deals with the dispute over Manchuria.

As Belgium has been seriously affected by the American tariffs, the Ottawa agreements and the French quotas in her export of manufactured and luxury articles, a department has been created in the Foreign Office in Brussels to deal with the subject of bartering goods and bringing about the recovery of payments by balancing one account against another in non-paying countries.

# Germany's Cabinet Crisis

By SIDNEY B. FAY

*Professor of History, Harvard University and Radcliffe College;  
Current History Associate*

THE sixteen-day Cabinet crisis in Germany came to an end on Dec. 2, when President von Hindenburg appointed Lieut. Gen. Kurt von Schleicher as Chancellor to succeed Lieut. Col. Franz von Papen. The powers entrusted to von Schleicher are much wider than those of his predecessor, since he retains the Defense Portfolio, which he held under von Papen, and in addition is to take over the post of Reich Commissioner, amounting almost to dictatorship, of Prussia. While the change appears at the outset to be only a reconstitution of the last Cabinet without von Papen, it is significant for its greater centralization of authority in the hands of the Chancellor.

For ten days following the indecisive Reichstag election of Nov. 6, Chancellor von Papen conferred with the heads of the various political parties, in accordance with President von Hindenburg's wish, in the hope of finding support for his policy of a "Cabinet of national concentration" and for a program of economic and constitutional reform. If von Papen failed, the President was threatened by either a union of the Reichstag parties to oust the Cabinet, or—to avert this—another dissolution of the Reichstag at its meeting on Dec. 6, or even before it convened. This latter solution would naturally be opposed by all the liberal elements, in fact by nearly all parties, as being a perpetuation of the virtual dictatorial power which President von Hindenburg has been forced to use under cover of the famous emergency Article 48 of the Weimar Constitution. (For another view of German conditions, see Baron

von Kuehlmann's article on page 393 of this issue.)

But von Papen soon found that he had a hopeless task in trying to rally the parliamentary leaders to some kind of toleration and support. His offer of "open arms" was no more alluring than would be the proffered embrace of a bear or a boa-constrictor. The leaders of the Centrist and Bavarian People's parties, with whom he talked first, would not hear of supporting a Cabinet headed by von Papen. Apart from his program and his extensive use of Article 48, von Papen is regarded with great personal hostility because of his part in overthrowing Bruening. Moreover, he is accused of a breach of good faith, since his Cabinet was formed last June without the consultation with the Centre party which he is said to have promised. This personal bitterness has been increased by the fact that von Papen, since his exclusion from the Centrist party, has been allying himself with the Protestant aristocrats of Prussia in an attempt to maintain the so-called "Presidential Cabinet."

The leaders of the Social Democratic party, the second largest group in the Reichstag, absolutely rejected von Papen's invitation to a conference, declaring that "the Chancellor's behavior throughout makes him impossible to deal with." They resent his economic measures, which have reduced workingmen's unemployment relief funds and have tended to cut wages, as well as his appointment of commissioners to rule Prussia in place of the former Prussian State officials.

The National Socialist organs, as usual, demanded that now at last the Chancellorship should be handed over to their idol, Adolf Hitler, as the leader of the largest party in the Reichstag, even though the November elections resulted in a drop in the Nazi representation from 230 seats to 195, corresponding to a falling off in the Hitlerite popular vote of about 2,000,000.

In view of the attitude of the three most important Reichstag groups, von Papen decided on Nov. 17 to resign his office, thus eliminating his own person, to which there was so much objection. The rest of the Cabinet resigned with him. President von Hindenburg accepted the resignations, but asked the Ministers to continue their functions until a new Cabinet could be formed.

President von Hindenburg then opened conversations with the Reichstag party leaders to see what possibility there was of forming some kind of a coalition Cabinet which would have the support of a working majority and make possible a return to regular parliamentary government, in place of the von Papen "Presidential Cabinet," functioning by emergency decrees in defiance of the legislature. After consulting Dr. Hugenberg (Nationalist), Dr. Ludwig Kaas (Centrist), and Dr. Dingeldey (People's party), President von Hindenburg sent for Adolf Hitler. Their meeting was far different from that on Aug. 13, when Hitler's demand for the Chancellorship—all or nothing—had been quickly and coolly rejected. On Nov. 19 the two men were closeted for more than an hour. Hitler was invited to consult the leaders of the other parties to see what he could do toward forming a parliamentary Cabinet on a basis of national concentration such as President von Hindenburg wanted to bring about. Hitler accepted the commission, but quickly found that the intensity of party feeling and the personal distrust and opposition felt

toward him by many of the other political leaders made it difficult for him to bring together a coalition government which could command the support of a majority of the Reichstag.

Hitler therefore reported his difficulties to President von Hindenburg and urged that he be made Chancellor of a Presidential Cabinet that might govern in defiance of the Reichstag through the aid of Article 48. The President then laid down, it is reported, certain conditions to which Hitler must agree if he should become Chancellor and form a cabinet: (1) No change in the conduct of the Reichswehr Ministry, in order not to impair the continuity of the national defense policy; (2) no change in the conduct of the Foreign Office, so as not to disturb pending international negotiations; (3) continuation of the program of economic revival begun by the von Papen Cabinet, and therefore no abrogation of the emergency decrees on economic and social service matters; (4) avoidance of currency experiments that might strain the Reich's economic system; (5) no change in the administration of Prussia by federal commissioners; (6) legislation by the Reichstag majority in a normal constitutional way and no longer by emergency decree under Article 48; (7) no restriction of the President's powers, especially no legislative attempt to limit his emergency powers under Article 48.

Again Hitler consulted the parliamentary leaders and the members of his own party. Apparently there was some difference of opinion within his own ranks whether it would be wise for him to accept the conditions and take office and power for the sake of the prestige and influence it might be able to bring ultimately to the National Socialist cause. Men like Dr. Schacht, the former President of the Reichsbank, though not a member of the Nazi Party, are believed to have urged this course.

After three days of hesitation and

consultation, Hitler informed President von Hindenburg that he could not form a Cabinet under the conditions laid down. From his headquarters at the Hotel Kaiserhof he issued a communiqué that "a parliamentary solution of the government crisis is inherently incapable of execution in view of the reservations made by President von Hindenburg." He added: "In view of the Fatherland's desolate situation, the ever-rising tide of distress and the duty of every German to do his utmost lest the people of the Reich sink into chaos, Herr Hitler has submitted to the President a clearly framed proposal by means of which the crisis can be solved in the shortest time."

Precisely what the Hitler proposal was is not clear, but at any rate it was at once rejected by the President. He thanked the Nazi leader for his efforts, but declared that "he could not justify himself to the German people if he gave his Presidential authority to the leader of a party that has ever and again emphasized its exclusiveness and that has generally taken an attitude of opposition to him personally as well as to the political and economic measures deemed needful by him. In these circumstances the President must apprehend that a Presidential Cabinet headed by you would perforce develop into a party dictatorship with consequent extreme intensification of the divisions within the German nation. The President could not square bringing about such consequences with his oath and his conscience."

Thus President von Hindenburg—and indirectly von Papen—scored a tactical victory over Hitler. The Nazi leader had been offered the opportunity to see what he could do to bring the crisis to an end by a return to normal parliamentary government, and had failed to find the necessary support. Thereupon his "proposal," presumably for a Cabinet with virtually dictatorial power for himself, had been rejected.

President von Hindenburg's next step was to ask General von Schleicher to confer with party leaders in the hope of finding some combination to support a national concentration administration. Meanwhile, the von Papen Cabinet, as an interim body, continued to govern the country.

### AUSTRIA'S PLIGHT

Austrian trade has continued to decline at an alarming rate. Returns for September showed the lowest figures on record. Imports totaled 68,000,000 schillings (\$9,400,000), 41 per cent below even the small figures of 1931, while exports were valued at 57,000,000 (less than \$8,000,000), 46 per cent lower than in 1931. During the first nine months of 1932, the decrease from 1931 amounted to 34 per cent in imports, and 43 per cent in exports. By November the number of unemployed in Austria had risen to 410,000, which is 100,000 more than at the same time in 1931. When it was announced that recruiting for the Austrian army would reopen on Nov. 16, many thousands assembled at the recruiting depots before daylight, although the army pay was recently decreased. The advent of Winter and unemployment, rather than the martial spirit, was the cause of the rush. As in Germany, recruits are required to sign for twelve years' service.

Austria finally reached an agreement at the end of November with the foreign creditors of the Creditanstalt. Seven yearly payments of nearly \$3,000,000 were substituted for Austria's former nearly bottomless liability for the debts of the institution. Some other banks are beginning to show signs of weakness, and it seems probable that complaints of preferred treatment given to the Creditanstalt may be answered by a fusion of some of these banks with the old Rothschild institution.

A recent decree ordered that all purchases of foreign currencies in Austria must be effected by private clearing through the Vienna Giro-und-



Kassenverein. This means that foreign money for payments of goods and debts abroad, as well as for traveling and other private purposes, can be obtained only in the private market at a premium of about 22 per cent above par. This does not include, however, public loans falling under the transfer moratorium, for which interest and sinking fund are to be paid at the official rate of exchange.

### SWISS RIOTS

Twelve persons—eleven civilians and one soldier—were killed and forty-five wounded at Geneva on Nov. 9 as a result of a clash between Socialists and troops. Socialist demonstrators sought to break up an anti-Socialist meeting at Community Hall in the southern part of the city. In anticipation of trouble, 600 soldiers had been brought to Geneva from Lausanne. Trouble began when Socialist sympathizers hissed the soldiers for brandishing arms in the streets of the "disarmament city," and tried to snatch the rifles from the militiamen. The troops suddenly opened with machine guns on the crowd, which at first thought only

blank cartridges were being used, but which soon scattered as men began to fall. The youthfulness and inexperience of the young recruits called in from Lausanne were probably partly to blame for the tragic occurrence—the first bloodshed of the kind for many years in this city which has been a refuge for political exiles.

In order to preserve order during the funerals of the unfortunate victims, when a twenty-four-hour sympathetic strike was called by the trade unions of Geneva, the State Council mobilized 3,000 of its best militia to replace the troops which did the firing and which were sent back to Lausanne. As a result the strike and the funerals took place without any further untoward incidents, and Geneva settled down again to its usual good order.

Germany and Switzerland signed a most-favored-nation commercial treaty which became provisionally effective in mid-November. Germany granted lower conventional import duties on chocolate, laces, wearing apparel, stoves and watches, in exchange for increases in the Swiss import quotas for certain German goods.

## The Strength of Italian Fascism

By WILLIAM E. LINGELBACH

*Professor of European History, University of Pennsylvania;  
Current History Associate*

FOLLOWING close upon Italy's celebration of the first ten years of Fascist rule came the fourteenth anniversary of Italy's armistice day. Among the ceremonies was the dedication of the Mussolini Forum at Rome and the school of physical culture adjoining it. The elliptical bowl and the seventy large nude statues of young men which decorate the rim are of Carrara marble. At the entrance is the magnificent Mussolini

column, a solid shaft of white Carrara rising to a height of 125 feet, with only the name of Mussolini in high relief on the base. The entire group is a remarkable tribute to the man who has done so much to create the new Italy and who has made himself its undisputed ruler. More particularly, it symbolizes the new drift toward athletics and out-of-door life among the young Fascisti.

What stands out conspicuously in

the recent celebrations is the extraordinary popularity of the Duce and the national acceptance of the Fascist régime. Backed by a highly disciplined and the most united party in the world, he wields a power so absolute that it is paralleled only by Stalin's in Russia. On the other hand, the party is closely integrated with the nation, is constantly bringing in new elements and expanding to such a degree that it is only fair to say that Mussolini wields his power under a popular mandate. In the meantime he claims that he is developing a system of democracy that will mark a real advance over the aimless drifting which has characterized it in many countries by injecting into the national life institutions for systematic planning without the class hatred and antagonism of the Communist régime in Russia.

Conscious of the increased security of Fascist rule, the Duce has sponsored a broad amnesty decree, which was approved by the Cabinet, signed by the King at his country home at San Rossore and proclaimed on Nov. 6. In a lengthy introduction Mussolini points out that the clemency shown by fascism toward its enemies was extended also to persons under general prison sentence. Five-year sentences for civil crimes were wiped out entirely; sentences of from five to ten years were shortened by three years, and all sentences for more than ten years had five years remitted if seven years had already been served. Anti-Fascisti, although not mentioned in the decree, were included in a communiqué of the Fascist Grand Council. The official estimates put the number of prisoners affected at between 15,000 and 20,000.

A supplementary decree issued by Mussolini on Nov. 16 pardoned leading political prisoners and persons in exile for political reasons. Among those affected were Professor Salvemini, now visiting lecturer in history at Yale University and formerly Professor of Modern History at the

University of Florence; Vincenzo Varcia, former editor of *Il Nuovo Mondo*, twice a Deputy to the Italian Parliament and at one time a reporter on Mussolini's paper *Avanti*; Massimo Rocca and Cesare Rossi, both among the founders of the Fascist party. The latter was at one time the head of the Fascist press organization, but fled from Italy after the Matteotti murder. On his return he was seized and sentenced to thirty years' imprisonment. Others mentioned in the dispatches are Benedetto Fiasconaro, Mussolini's former secretary; Francesco Cicotte Scozzese, Alceste de Ambris and Giuseppe Donate. The Italian labor daily, *La Stampa Libera*, and the anti-Fascist committee in the United States have announced plans for a nation-wide campaign to draw attention to what the anti-Fascists regard as a mere bluff, "a fake amnesty." But whatever may be the true interpretation of Mussolini's policy and actions in the matter of amnesty, it is evident that the nation is responding more and more to his leadership.

After the enthusiasm and the excitement of the anniversaries, Italians have again settled down to the grim task of combating the economic depression which holds their nation in its grip. Italian economic and social life, however, is relatively less dislocated than is that of many other countries, and it shows many people believe, clear signs of improvement. Savings bank deposits have steadily increased, money has been easy and interest rates are low. Gold reserves and foreign currencies have risen till the former alone amount to 42 per cent of the money in circulation. Four years ago the government inaugurated a movement to stimulate saving. Special legislation in favor of savings banks and the safeguarding of their deposits was enacted. The results, as revealed in a review of the situation on the anniversary of "Thrift Day," are surprisingly gratifying. From a 1928 total of 14,968,-

000,000 lire (at par the lira is worth 5.2632 cents) in the ordinary savings and in postal savings branches, deposits rose to 30,827,000,000 lire, a gain of over 15,000,000,000 lire, by the end of August, 1932. Making liberal allowance for the fact that some of the increase was due to the withdrawals of a little over 5,000,000,000 from the joint stock banks, the showing is remarkable.

Both wholesale and retail prices declined during November. During the first week the index number stood at 79, a decline of 7 points from 86 in January, 1932, and an average of 92 in 1931 and 134 in 1928. The trade balance continues favorable. For the first months of 1932 the trade deficit was 1,319,000,000 lire, as against 1,580,000,000 lire for the same period in 1931 and 3,651,000,000 lire in 1930. The gain, unfortunately, consists of drastic cuts in imports rather than in an increase in exports. As in most countries, the total movement of trade is downward. Exports of silk, rayon and automobiles all showed heavy declines during November.

The result of the elections in the United States was regarded as a hopeful sign for improved trade relations. Lower tariff rates are expected, with brighter prospects for an American market for Italian wines. On the war debts Mussolini has repeatedly urged an adjustment and endorses fully the stand taken by France and Great Britain. Toward Premier Herriot's Toulouse address, in which he made a strong bid for Italian friendship, Italy has remained cold and even suspicious. In accord with Great Britain, Italy endorsed the German demand for legal equality in the matter of armaments and looks forward to a resumption of the discussions of the subject at the disarmament conference at Geneva. Dino Grandi, Mussolini's popular Minister of Foreign Affairs, has taken up his residence in London as Ambassador to Great Britain. At the same time, he has been made a member of the Grand Council

of the Fascist party, along with Giuseppe Bottai and Alfred Rocco, recently appointed rector of the University of Rome.

### CATALAN ELECTIONS

The Catalan autonomy question reached its second stage on Nov. 20 with the elections for the Generalidad, the first since 1705. Much more was involved than the success or defeat of the two opposing groups, the Esquerra party of Colonel Francisco Macia, the Provisional President of Catalonia and a strong supporter of autonomy and the Azaña government of Madrid, and the Conservative party led by Señor Cambo, a wealthy financier and landowner. Cambo had the support of the Regional League and of the church, which saw in his success the possibility of a modification of the Socialist régime, both in Barcelona and Madrid. The ultra-radicals—*anarchists and syndicalists*—favored the reactionary party of Señor Cambo on the theory that a victory by that group would consolidate the parties of the Left and ultimately drive the national government into a more radical program. The wider implications of the elections were discussed in *El Debate*: "Failure in the Catalan Parliament would not only mean the bankruptcy of Macia's Esquerra party and the destruction of Catalan autonomy \* \* \* but indirectly also the failure of the Azaña régime at Madrid."

Feeling during the elections ran high; the Communists in particular threatened to use intimidation and gunman tactics. The authorities promptly met the threat by enrolling extra police and patrolling the city with armored cars and machine guns. The result was an orderly election, in which Colonel Macia scored a brilliant triumph, his party scoring sixty-eight out of the eighty-seven seats of the Generalidad.

The victory of the Esquerra party insured the completion of the autonomy program along the lines mapped

out by Azaña's government in the Catalan statute. The mixed commission consisting of six representatives each of the State and the Catalan Government can now proceed to work out details of the difficult adjustment with better assurance of success.

During November the long-standing conflict between the Socialists and Spain's national constabulary, the Guardia Civil, reached a crisis. An élite body, numbering about 28,000, of whom 5,000 are mounted, it has for many years been a picturesque and effective factor in the enforcement of law. When the present republic was proclaimed, the guards, commanded by the royalist General, Sanjurjo, adopted a negative attitude and refused to support the King, devoting themselves to the task of keeping the disturbances within bounds. They thus became a subject of controversy and attack. Yet the belief is quite general that even now the republic could not survive without the Guardia Civil. Unfortunately, strong royalist sympathies manifested themselves among the members of the guard at the time of the abortive August uprising. Investigation by the government followed and thousands were dismissed.

Extremists and Socialists look upon the guard as a bourgeois-capitalist institution, and the party congress recently voted for its dissolution. Other parties, however, are so convinced of its value and importance to the State that they threaten to precipitate a Ministerial crisis if the Socialists push their resolution in the Cortes. The Azaña régime, which approaches very close to a dictatorship of the moderate Socialists, would have great difficulty in maintaining itself without the strong arm of the Guardia Civil, for which there would be no substitute.

Through its vigorous repression of the Opposition the government has incurred the hostility of many. More than 100 newspapers have been suspended, among them some of the most

important, like *La Nacion* (Monarchist) and *A. B. C.* (Catholic). *La Nacion* was freed recently, but *A. B. C.* is still silent. *Informaciones* on Oct. 21 sarcastically remarked that it would be a misfortune if *A. B. C.* were prevented from joining in the general welcome to M. Herriot, the French Premier, to a country where "justice and liberty rule."

The object of M. Herriot's visit to Spain has remained shrouded in mystery. Despite repeated denials from Paris, rumors of an entente between the two republics persist. London has reported an accord somewhat similar to the Anglo-French entente of 1904, with France conceding trade privileges and promising to protect Spanish colonies in return for the free passage of French troops in case of war with a certain power and an air base in the Balearic Islands. Strong support for the belief in an entente appeared in Premier Azaña's statement "that in a future European conflict it might not suit Spain to remain neutral as in the last war, or alternatively that it might not be possible to do so."

In other quarters, however, the benefits of neutrality are vigorously urged and there is much criticism, not only of the rapprochement with France but of Azaña's army policy. Violent demonstrations on the part of students and radicals shouting "Death to Herriot!" and "Down with war!" were with difficulty suppressed by the police.

Spanish support of the French disarmament proposal has been very ably directed by Señor Salvador de Madañaga, who has also succeeded in building up a so-called Little Entente of eight powers pledged to back the scheme at Geneva.

Draft agreements have been signed by the Prime Ministers of France and Spain providing for reciprocal concessions and equal treatment of the workers of both nations in the other's country. The agreements involve equality of salary, compulsory insur-



ance, unemployment and medical assistance. The arrangements are particularly favorable to Spain because there are approximately 200,000 Spaniards working in France and only a few thousand French workers in Spain. Hand in hand with the formulation of regulations concerning aliens in the country, the Spanish Government is placing restrictions on foreign workers and forcing all non-citizens, no matter what their occupation, to secure cards of identity.

As part of the government's policy for the development of the merchant marine, five regular trade lines are to be established on which communications will be maintained on a fixed schedule between Spanish ports and the principal ports of Europe, America and Asia. Orders for the building of a number of new ships have already been issued and others are in preparation.

Of interest to American bankers and investors in foreign securities is the impending action of the Cortes on the bill declaring the contract ob-

tained under the Rivera régime by the Compañía Nacional Telefonica, an affiliate of the International Telephone and Telegraph Company, as illegal. Approximately \$100,000,000 of American money is invested in the company. Eleven months ago the government introduced a bill for the reform of the company's contract, but action was postponed until Dec. 3 in order to give the company time to make a formal reply. Recently a request for an extension of time was made, but the petition was denied and on Nov. 24 was the occasion for a bitter attack by the syndicalist Deputy Babontin, who demanded the seizure of the properties. According to well-informed persons, the Azaña government is not at all anxious to cancel the contract, but seeks rather to force a modification of the terms of a one-sided agreement which, according to the Minister of Public Works, was secured through bribery. It is not likely that the Cortes will invite international complications by extreme action.

---

## The Problem of Yugoslav Unity

---

By FREDERIC A. OGG

*Professor of Political Science, University of Wisconsin;  
Current History Associate*

---

A CABINET crisis in Yugoslavia during the first week of November arose, as on many earlier occasions, from a conflict of political cliques and personalities. On the surface, the incident seemed of small importance since, after several days of manoeuvring, Premier Milan Sershitch formed a new government which differed but slightly from that which resigned with him on Nov. 3. But there was a deeper significance. King Alexander was known to have been seeking a way to pass from an outworn dictatorial régime to a more

democratic system, while the Premier himself had hoped to eliminate a group of Ministers favoring a strong-hand policy and to substitute others willing to cooperate in paving the way for a more liberal order. Failing to meet these objectives, the new Ministry is likely to prove little more than a stop-gap.

The question of reorganizing the kingdom on a federal basis also became increasingly acute during November. The Croats have long demanded not only constitutionalism and democracy, but virtual autonomy,

so that they may be masters in their own house and free from the domination of Belgrade. In a manifesto issued from Zagreb on Nov. 14, the executive committee of the Peasant Democrat Federation once more attacked the Serbian hegemony, declaring that by its inefficiency and violence it had shattered and exhausted all of the lands north of the Save and Drina Rivers. Ten days later a resolution adopted by a congress of all the parties in the disaffected territory, and calling unreservedly for autonomy, received belated publication in the government press.

The most arresting aspect of the situation, however, is that the federalist idea has spread to other elements in the polyglot kingdom. The Slovenes want autonomy, and likewise the Macedonians. Moreover, among the Serbs the opinion is growing that it will not be practicable to maintain much longer the strictly unitary system so optimistically adopted after the war, and that the sooner a general reconstruction is carried out, on the basis of the old threefold division of Serbia, Croatia and Slovenia, or even with as many as five or six autonomous areas, the better it will be for the country's future. Indeed, an American newspaper correspondent at Belgrade reported recently that he had found the leaders of all of the Serbian parties, except the Radicals, ready to support an all-round federal plan. Some even thought the survival of the monarchy uncertain, but the Croats have given no indication that they would not be satisfied with a liberal monarchy although they say emphatically that they will not even negotiate for the desired reorganization with the existing, or any other, dictatorship.

A government bill laid before the Skupshtina early in November proposed restoration of the communal councils which were abolished with other organs of local self-government in 1929. That the measure was meant, however, to be only a modest and cautious step toward the revival of de-

mocracy was indicated by the exclusion from its provisions of sixty-eight of the larger towns and cities.

#### POLISH BUDGET DIFFICULTIES

After an interval of nearly seven months, the Polish Parliament met on Nov. 3 and was immediately confronted with the task of voting a budget for 1933-34, which showed an estimated deficit of \$40,000,000. Finance Minister Zawadski expressed the hope for substantial economies and sought to cover the deficit from cash reserves and improved market conditions, but it was conceded that the task would be difficult unless the support of practically all the Parliamentary parties could be obtained. The Opposition, however, which in former years has suffered from an almost total lack of unity, was prepared to launch a combined assault on the government, with a very fair chance of overthrowing it. On Nov. 15 it was announced that in case Great Britain and France succeeded in obtaining a new war-debt arrangement, Poland also would request revision on the ground that conditions under which the 1924 funding agreement was negotiated have radically changed.

August Zaleski, Foreign Minister since June, 1926, worn out by his long term of office, resigned on Nov. 2. As a member of the Senate, to which he was elected in 1930, he was, however, expected to continue to exert considerable influence on the country's foreign policy. His successor at the Foreign Office, Colonel Joseph Beck, had been Deputy Foreign Minister since December, 1930, and is a confidant of Marshal Pilsudski, under whom he served as Deputy Prime Minister when the Marshal took over the Premiership during the electoral period of 1930.

In commenting on the signing on Nov. 23 of a Polish-Russian conciliation convention, the *Polish Gazette* asserted that the Soviet-Polish non-aggression pact, of which the conciliation convention is a necessary accompaniment, would be ratified at an early

date. A committee of four, representing the Warsaw and Moscow Governments, was to be formed, and to it all disputes relative to the terms of the pact were to be referred for investigation and adjustment. The break-down of the Soviet-Rumanian negotiations for a similar pact was announced by the Rumanian Foreign Minister on Nov. 23, but it was not expected to affect the completion of the Soviet-Polish negotiations.

Since the establishment of the Council of the League of Nations, that body has devoted nearly an eighth of its time to matters relating to Danzig; the session which opened on Nov. 21 promised to be no exception. One difficult question already pending comes from Poland's determination to exclude the Danzig gulden and introduce the Polish zloty for payments on the railroad system of the Free City. Another, which seemed certain to be referred to the same authority, grew out of a decision of the League's High Commissioner to permit the continued importation into Danzig of half finished goods duty-free—a right which, Warsaw authorities assert, is causing Poland to lose control of its own customs barriers.

#### HUNGARIAN FINANCES

Reporting at the end of October on the financial condition of Hungary for the third quarter of 1932, Royall Tyler, League of Nations Commissioner, indicated that the economic situation had grown worse, that agricultural prices had declined, and industrial prices risen, while the national deficit had increased to such an extent that only drastic budget changes could prevent inflation. A major factor in the decline was shown to be the termination of the commercial treaty with Austria, normally Hungary's principal customer. The banking situation, on the other hand, was represented as somewhat reassuring. On Nov. 24, the semi-official *Pester Lloyd* published a dispatch by its Vienna correspondent asserting that during the Aus-

trian Chancellor's recent visit to Budapest, an Austro-Hungarian-Italian economic agreement was reached whereby each State promised preference to the products of the other two in making purchases abroad. The accuracy of the report, however, was doubted at both the Hungarian and Austrian capitals.

Of considerable importance to American investors was a decree, issued by the Budapest Government on Oct. 31, reducing for a year the interest rate on loans secured by farm mortgages from 7½ and 7 per cent to 5 per cent.

#### RUMANIAN PROBLEMS

Rumanian peasants have a proverb to the effect that in their country, as in heaven, anything may happen. The cycle of events in late October, ending in the collapse of the Vaida-Voivode Cabinet and the establishment of another National Peasant government, with Dr. Maniu as Premier and the redoubtable Nicholas Titulescu as Foreign Minister, fully bore out the saying. After weathering a succession of storms, the country is now believed to have the strongest government since Bratianu's régime, provided its two strong-willed leaders, Maniu and Titulescu, cooperate.

For the present, the two principal problems are those of accepting control from the League of Nations on financial matters and completing the negotiations with Soviet Russia for a non-aggression pact. The recommendations of the League's financial committee, which pointed to substantial League control of the country's finances, were flatly rejected by the Vaida-Voivode government. Nevertheless, since Dr. Virgil Madgearu, the new Minister of Finance, supports the League committee and since the general presumption, borne out repeatedly by events, is that in a contest of this kind the League holds the whip hand, it is altogether probable that Geneva's conditions will be accepted. Premier Maniu late in November evolved a plan under which the gen-

eral recommendations would be acted upon, but without appointment of League controllers. But there was no reason to believe that this formula would prevail.

As for the Russian non-aggression pact, it will be recalled that M. Titulescu, objecting to the lines on which the negotiations were proceeding, resigned his Ambassadorial and League posts on Sept. 26 only to find himself within two weeks installed as Foreign Minister at Bucharest and charged with starting the negotiations over again under freshly defined limitations. The speech from the throne when Parliament reassembled on Nov. 15 made no mention of the subject, and eight days later the Foreign Minister told the Chamber that the reopened discussions had broken down on the vexed question of Bessarabia. Notwithstanding M. Titulescu's tone of finality, there were those who believed that the project would be kept alive.

#### **BULGARIAN RADICALISM**

The fear of radicalism in Bulgaria was greatly intensified by the unexpected victory of the Communists in the Sofia municipal elections of Sept. 25, although the outcome may be easily explained on the ground of the great number of bourgeois parties in the field and the unusual amount of non-voting. But the economic situation is deplorable; agricultural prices are at their lowest and the harvest was poor; while an impoverished people faces one of the hardest Winters on record. Bourgeois government is on the defensive, and friend and foe agree that communism is growing by leaps and bounds.

In the face of this situation, movements are on foot to stay, and if possible avert, disaster. One of them is led by a vigorous society known as *Zvéno* (the Chain). Formed several years ago and composed of men representing various parties and professions, this organization seeks the cooperation of all bourgeois forces in an ef-

fort to fend off communism and lead the country back to stability and prosperity. Conceding that the present government is "anemic" and that Parliament and parties have subordinated the national interests to their own, the leaders, in a challenging declaration of policy issued during the Autumn, called for reorganization and simplification of administration, reduction of the numbers of the bureaucracy, liberation of officials from political pressure, assistance to producers, good relations with Yugoslavia and other neighbors, and a united national front against all disturbing influences, domestic as well as foreign.

Another agency of defense of which much has been heard lately is the League of Reserve Officers, a group which engineered the coup that drove out the peasant dictatorship. Through its president, General Simmanov, this organization has similarly called for a rallying of all forces opposed to communism, and has made statements frankly looking to a dictatorship.

#### **GREEK ROYALIST CABINET**

The long impending resignation of the Greek Cabinet headed by Venizelos took place on Oct. 31 and President Zaimis requested the Royalist leader, Panayoti Tsaldaris, to form a government. Five days were required to find a new group of Ministers who could work together and even then the task was completed only by M. Tsaldaris's decision to take the portfolio of finance, which no one else would accept. At one time it appeared that the new Cabinet would have no majority in the Chamber, and that its only hope of survival lay in ex-Premier Venizelos's promise to support its proposed legislation as a means of keeping the government going. Eventually it won the support of all the anti-Venizelist parties, which ensured a substantial majority in its own right. Though a Royalist, M. Tsaldaris, on assuming office, assured President Zaimis that for the present he would not question the republican form of government.



# Denmark Retains the Socialists

By SIDNEY HERTZBERG

IN these times of sweeping political reversals it is extraordinary to find a radical Ministry that has been in power for almost four years not merely being upheld in a general election but actually increasing its popular vote. The electorate of Denmark indulged in such defiance of the general trend in the elections to the Folketing on Nov. 16 which resulted in a victory for the coalition Cabinet of Premier Theodore A. M. Stauning, which has been in office since April 29, 1929. Despite increasing unemployment, unsettled trade relations and a full measure of all the other woes which the world crisis has wished upon groups in power, the Premier's Social Democratic party won sixty-two seats, a gain of one, and increased its popular vote, according to unofficial but reliable figures, from 593,191 to 660,782. The Radicals, who stand to the right of the Social Democrats and are the other party in the coalition, lost two of their sixteen seats and 6,540 of their 151,746 votes. The Communists, who will probably support the government more often than not, entered the Folketing for the first time, with two seats and a popular vote of 17,172.

The Liberals, the chief Opposition party, were returned with thirty-eight seats, a loss of six, and a popular vote which fell from 402,121 to 381,760. The Conservative party won twenty-seven seats and 289,525 votes, against twenty-three seats and 233,935 votes in the elections of April 24, 1929. The Justice League (single-tax party) increased its vote from 25,810 to 41,215 and its seats from three to four. The Slesvig party held its one seat and polled 9,867 votes, a gain of

80. The National Socialists got 765 votes. The Faroe Islanders were to elect their member on Dec. 12.

Premier Stauning decided to appeal to the voters after the Landsting, on Oct. 27, had rejected the government's foreign exchange bill providing for the extension of exchange control for eighteen months and for the transfer of this control from the semi-independent National Bank to the Ministry of Commerce. The government, anxious for complete control over foreign trade in its negotiations with Great Britain, was scored for making too many concessions to the British without being adequately compensated in return. The favoritism to British imports in the exchange control system, the government's official support of the British Trade Exhibition in Copenhagen, and the special foreign exchange facilities for exhibitors who had made sales were cited as examples. This criticism was intensified when the government temporarily accepted the British proposal, made during the campaign, to cut Danish exports of bacon to Great Britain by 20 per cent. Bacon is one of Denmark's chief export items. All the attacks of the Opposition, however, did not affect the obvious satisfaction of the electorate with the statesmanship of Premier Stauning.

Elections to the Landsting (upper Chamber) on Sept. 7 resulted in a gain of one seat for the Conservatives at the expense of the Radicals. The present position in the Landsting is: Opposition, forty-one seats; government parties, thirty-five seats. During the Folketing elections the Social Democrats, who favor abolition of the upper Chamber, attacked the Lands-

ting as a body "where a privileged system of election has served to retain a reactionary majority against the will of the majority of the Danish people." Landsting electors must be 35 years old—ten years more than is required for voting in Folketing elections. Moreover, nineteen of its seventy-six members are elected by the outgoing Landsting. The members sit for eight years.

Leon Trotsky was a visiting lecturer for the students of Copenhagen on Nov. 27. The stay of the exiled leader of the Red Army was not unaccompanied by demonstrations of hostility by the aristocracy and by Communists faithful to Stalin, who regard Trotsky as a traitor.

#### ANGLO-SCANDINAVIAN TRADE

Preliminary conversations were begun late in November between the British Board of Trade and delegations representing Sweden, Denmark and Norway for the purpose of adjusting trade agreements to the conditions created by the Ottawa Conference. (See December *CURRENT HISTORY*, pages 371-372.) While the three nations will deal with Great Britain separately, they will not be oblivious to such interests as they have in common. The general sentiment expressed at a conference of Scandinavian industrialists in Oslo on Oct. 25 was that they should be careful not to permit themselves to be played off against each other. Foreign Minister Munch of Denmark on his arrival in London on Dec. 4 said: "There is no question of a bloc. Naturally, friendly neighbors like the Scandinavian countries are always in communication with each other, and we shall keep each other informed on the progress of the present negotiations."

#### FINLAND SENTENCES REBELS

The Mantsala rebellion in Finland last March became a closed chapter

on Nov. 21, when the Abo High Court found fifty-two of the accused guilty of implication and sentenced them to prison terms of from two to thirty months. However, thirty-two of the convicted, including the Fascist Lapuan leaders, General Martti Wallenius and Vihtori Kosola, were bound over for three years with their sentences suspended. The court acquitted twenty-four other defendants. Previously amnesty had been granted to twenty minor participants in the revolt.

The court declared that it was not convinced that the Lapuans were the leading spirits in the rebels' camp at Mantsala or that they were guilty of criminal offenses in their activities elsewhere. General Wallenius and ten other Lapuan leaders had objected to their incarceration pending the court's verdict by engaging in hunger strikes. They were eventually released before the sentences were imposed.

The extent to which bootlegging has affected the legal sale of liquor in Finland was indicated by a report of the government liquor monopoly on Nov. 15 placing the taxed liquor consumption during October at 266,292 quarts as compared with 429,028 quarts in September and 430,084 quarts in August.

#### ESTONIA'S NATIONAL CABINET

The difficulties which the Estonian State Assembly has been having in organizing a working government were overcome on Nov. 1 with the formation of a National Cabinet drawing its Ministers from the Agrarian, Socialist and Populist parties. Konstantin Paets (Agrarian) is State Head, August Rei (Socialist) becomes Minister of Foreign Affairs and Ado Anderkopp (Populist) is Minister of Justice and Interior. The Cabinet laid before the State Assembly a plan for economic reconstruction involving considerable extension of governmental control over private enterprise.

# Setbacks to the Soviet Plan

By EDGAR S. FURNISS

*Dean of the Graduate School, Yale University; Current History Associate*

THE Soviet Union, on Nov. 7, 1932, celebrated the fifteenth anniversary of the revolution which launched the Communist régime upon its career. This year greater importance than usual was attached to the ceremonies because of the approaching climax of the Five-Year program which has come to typify the policy and tactics of communism to the Russian people and to the world at large. Accordingly, Moscow was crowded with delegations of workers from all parts of the vast territories of the Union and from many foreign countries. The Red Square was the scene of an impressive display of popular loyalty as Soviet troops paraded for three hours with the full equipment of a modern mechanized army, followed by an all-day procession of workers and peasants. War Commissar Voroshilov was the master of ceremonies and the only speaker, but in the reviewing stand were gathered the highest officials of the party and the government—Joseph Stalin, actual ruler of the Soviet Union; Molotov, president of the Council of People's Commissars; Kallinin, president of the Central Executive Committee, and others.

These incidents of pomp and ceremony, of course, are of little interest to the serious student of Russian affairs. What is of significance is the use made of the occasion to disclose the present status of the Communist program and the policy for the immediate future, not only in the address of Voroshilov at the public celebration and in the speeches of the government leaders on the preceding night, but through the inspired articles and editorials which filled the press before

and after the event. It was made clear that there is to be no slackening of the determination to preserve the socialistic institutions already established and to press toward complete socialism. This has been a moot question during recent months.

In the Spring and early Summer of 1932, a premonition of the acute shortage of food and commodities which now confronts the Soviet Union caused the government to make various concessions to individual freedom and private initiative. It is true that these were abruptly rescinded a little later. But this vacillation of policy in the face of conditions which were growing steadily worse left it an open question whether the Communists would not be forced to abandon some of their socialistic policies, such as governmental monopoly of the market and the extinction of private enterprise in trade and manufacture. The discouraging results of collective farming had even called forth suggestions from high officials that this basic agrarian institution of socialism must be dissolved and the land returned to private hands. Similarly, the partial collapse of the new large-scale industries gave rise to the prediction that they were destined to be transferred to foreign concessionaires. By late Summer these difficulties had grown so serious that dissension appeared in the Communist party, leading to the expulsion of many prominent leaders. There is a body of opinion in Russia and a general belief among foreign observers that Stalin has been much too precipitate in forcing socialism upon the country, and that the resistance of stubborn economic facts will inevitably de-

feat his efforts. The recent pronouncements of the Soviet leaders, however, serve notice on the country that there will be no compromise; the immediate program is to be one of rule or ruin, a final desperate effort to overcome difficulties by sheer determination.

This decision has already begun to have its effect upon Soviet policy, both domestic and foreign. In foreign affairs, the necessity of concentrating all the energies of the country upon the struggle against adverse internal conditions commits the government to a policy of peace. In general, this has been Stalin's policy since his accession to leadership, and especially during the past three years when it has become evident that the success of the Five-Year Plan required stable relations between the Soviet Union and the rest of the world. But now need for peace and stability forces the Kremlin to adopt the truly radical policy of opposing social revolution in other countries as well as international war. Two editorials in *Pravda* during November convey to the foreign branches of the Communist party the hint that the time is not opportune for social revolution and that the Kremlin will not support the revolutionaries. Disorders in other countries which would have been hailed with acclaim a short time ago are now treated with reserved if not deprecatory comment. One American correspondent in Moscow in speaking of this change of attitude describes it as a "strange paradox that the Bolshevik Kremlin today regards the growth of the revolutionary movement with real anxiety." A paradox it is, when considered in conjunction with the Communist doctrine of world revolution, but nevertheless a logical consequence of Stalin's effort to construct a socialistic industrial society within a single country during a period of world-wide economic depression. The new rôle of the Soviet Union in world revolution is to be that of exemplar, not that of active leader. The true believer in other countries is told that he can best

assist by keeping the peace until the Soviet example has had time to perfect itself.

While thus attempting to promote social stability in other countries, the Soviet Union has continued with some success its efforts to set up safeguards against international war. On Nov. 26 the French Cabinet finally approved the long-discussed pact of conciliation and non-aggression between France and the Soviet Union. This is an event of much importance to Russia, since it brings into effect a similar treaty with Poland concluded earlier but held in abeyance pending action by France; and draws into the pacific alliance the other Baltic States as a result of earlier agreements between themselves and Poland. It is also a sign that Rumania, by withdrawing her opposition to the Franco-Russian treaty, expects soon to enter into similar arrangements on her own account, thus neutralizing the entire Eastern European frontier, as described in Robert Machray's article, "Europe's Anti-Soviet Barrier," in *CURRENT HISTORY* for December, 1932. The treaty provides that neither country will resort to war against the other, that each will respect the territories under the other's sovereignty, that if either is attacked by a third party the other will not aid the aggressor directly or indirectly. As a guarantee of peace on a broader scale, the treaty stipulates that if either party wages aggressive warfare against a third, the other power is immediately released from the pact. The non-military provisions are of importance to Russia. It is agreed that neither State shall enter any international arrangement injurious to the commerce of the other, or interfering with the granting of credits to the other. Finally, Russia binds herself to refrain from propaganda in France and her colonies, while France is to restrain plotting against the Soviet State.

A network of treaties of this tenor between Russia, her Western neighbors, and France is obviously an im-



portant factor in the European situation. It nullifies the Treaty of Rapallo signed by Germany and Russia during the Genoa conference, and frees France and Poland from the danger of Soviet interference in their struggle with Germany over the preservation of the terms of the Versailles treaty. It acquires additional significance as a factor in world politics from the growing cordiality of relations of Japan with both the Soviet Union and France. A similar treaty under discussion between Japan and the Soviet Union has not yet received official approval, but there is abundant evidence that these countries have arrived at an understanding as regards Japan's strategy in Manchuria and are well on the way toward treaty agreement. Matsuoka, the special Japanese delegate to the League during its deliberations on the Lytton Report, while on the way to Geneva stopped in Moscow for preliminary conversations with the Kremlin and was made an honored guest at the anniversary celebration. The primacy of Russia's domestic problem will determine her attitude in the Far East as in other areas of her international relations. Beyond protecting her own frontiers she has no reserve of energy to expend in interference with the imperialistic plans of another nation. Her show of force on the Manchurian border in the Spring of 1932 aggravated an already serious condition by withdrawing food supplies from the civilian population. Since that time, as conditions within Russia have grown worse, she has inclined toward allowing Japan a free hand in Manchuria, thus laying the basis for definite treaty relations between the two countries.

Soviet relations with Great Britain provide an exception to the smooth development of this pacific policy. Negotiations arising from Great Britain's denunciation of the trade agreement grew progressively bitter during November. The press in each country added to this bitterness by openly attacking the good faith of the other,

the controversy revolving around the old question of Communist propaganda in the United Kingdom and India. Thus far no progress at all has been made toward the re-establishment of stable economic relations between the two countries, and it is evident that neither government desires to show toward the other the same conciliatory attitude which governs its contacts with other States.

The controlling factor in Soviet policy at present, however, is the serious economic condition of the country itself. The status of the industrial program will not be definitely known until the final records of the Five-Year Plan are made available, though indications point to an accomplishment of from 60 to 80 per cent of the original program. But this is not the crux of the problem. The one fact of overwhelming importance is the failure of the food supply. Despite the success of the program for a socialized organization of agriculture—two-thirds of the peasants and four-fifths of the total cultivated land area are now in the collectives—the people are reduced to conditions not much above the famine level. The live-stock supply of the country has been decreased 50 per cent during the five years covered by the plan. Cattle and horses number 60 per cent of the total five years ago and Winter provision is available for not more than half of these. Milk animals are undernourished and a large percentage of them have gone dry. The food crops harvested in 1932 are 25 per cent below those of 1931. Meat, sugar, eggs, cheese, butter and milk have virtually disappeared from the diet of the majority of the peasants, and the urban population is on similarly short rations, except in the large industrial cities, where the official agencies are able to provide a somewhat better diet. These facts, culled from the news dispatches and admitted by the official Soviet press, give some indication of the seriousness of the situation.

The determination of the Kremlin

to carry through its socialistic program in the face of these conditions has already taken effect in various ways. One change of general policy has been indicated, namely, the lapse of the plan to launch a second and even more ambitious five-year program. In place of the dazzling forecast of other gigantic schemes, the press now predicts that the year 1933 will be one of consolidation and adjustment, in other words, a sixth year added to the plan. A process of "purging" is under way in the party itself. Large numbers of luke-warm members have been expelled from the ranks. The civil service of the country is being subjected to a similar process of elimination, some 25,000 clerks having been dismissed from government employment and assigned to work in the factories and on the farms. The purpose is to promote the unity and loyalty of the ruling faction and to reduce to a minimum the cost of government service.

In the attack on this great problem, every expedient will be used to increase the output of factory products for household consumption, with the major purpose of counteracting the peasants' tendency to hoard food supplies by providing desirable commodities in exchange for them. The steps taken in this direction involve increased discipline for the wage earner and are typified in the drastic decree of Nov. 16, 1932, which supplants the

former law permitting the dismissal of a worker for unexcused absences from his job in excess of three days per month by a ruling which forbids all such absences even for one day. The punishment is not only discharge but the cancellation of the offender's ration card, which is virtually equivalent to a sentence to starvation.

In the second place, steps are being taken to attack at its source the problem of the food supply by reorganizing the management of the collective farms and counteracting the shortage of rural labor. The latter part of the policy is a phase of the nation-wide attack upon the labor turnover. Drifting labor is to be registered, regimented and distributed through the farming districts, there to remain at work under compulsion. The reorganization of farm administration has resulted in wholesale dismissals of managers.

Finally, the government is enlarging its agencies for direct feeding of the urban population. By the end of 1932 15,000,000 people were expected to be receiving their meals from factory kitchens, communal restaurants and other official or cooperative agencies. The ultimate objective of this movement is to abolish the home as the economic centre of family life. The principle of "mass feeding" is being rapidly extended from the large industrial centres to include the people in the smaller cities and the workers in enterprises of minor importance.

---

## Persia Asserts Her Independence

---

By ALBERT HOWE LYBYER

*Professor of History, University of Illinois; Current History Associate*

---

At a meeting of the Persian Council of Ministers, presided over by the Shah himself, held at Teheran on Nov. 26, it was decided to cancel the concession of the Anglo-Persian Oil Company. This lease was made in 1901 by

the Persian Government and William K. d'Arcy. For a small cash payment and the promise of royalties in proportion to the net profits of the enterprise d'Arcy was given exclusive rights for sixty years to prospect for,

produce and take away petroleum and petroleum products in all Persia, except the five northern provinces. Two years later a company was formed to exploit the concession and in 1909 the Anglo-Persian Oil Company, Ltd., was organized to take over d'Arcy's rights.

By 1913, when the company needed additional capital, Great Britain had become conscious of the desirability of securing large fuel supplies in the Middle East for the British Navy. Accordingly, the British Government provided enough capital to control a majority of the common stock. Estimates have been made that up to 1924 the government had recovered three and one-half times its original investment. Meanwhile production rose from 1,750,000 tons in 1921 to 4,800,000 tons in 1927; in 1930 production was 5,900,000 tons. The effect of the depression then began to be seen in a decline for 1930 to 5,750,000 tons, while falling prices reduced the operating profits to about \$8,000,000.

The Persian Government is entitled to 16 per cent of the annual net profits of the company. In 1921 this share amounted to about \$3,000,000; it rose to \$6,500,000 in 1927, and was about \$4,500,000 in 1930, but in 1931 not more than \$1,000,000 was paid to Persia, and the decline continued in 1932. As a British corporation, the company has been obliged to pay a heavy income tax to Great Britain; in 1931 the amount of this tax was nearly three times as great as the royalty paid to the Persian Government. Thus the embarrassment caused Persia by the diminution of this element in its budget was emphasized by contrast with the greater income of Great Britain from an enterprise operating in Persia and depleting Persian natural resources.

Some time ago the Persian Government opened negotiations with the company for a revision of the charter, on the ground that circumstances have changed greatly in the course of thirty years. The officials of the company indicated their readiness to accept

some modification and a year ago an agreement seemed near, but the negotiations broke down. Now Persia has taken action which must lead to a struggle with Great Britain. The Persian Finance Minister, in formally announcing the cancellation of the lease stated that Persia is willing to negotiate a new concession "based on the rights of both parties." In any event, the activities of the company will be allowed for the present to continue without interruption.

The action of the Persian Government caused considerable concern in Great Britain. A total loss of British oil rights in Persia would be a serious matter for the British Admiralty, although mitigated to some extent by British oil rights in Iraq. Obviously it can be urged that the Persian Government had no right to cancel by its separate action an agreement which has about thirty years to run, but affairs between governments cannot always be adjudicated as simply as private disputes. In this case Persian national feeling is important, as many citizens desire to be freed from all long-time commitments which were accepted by the former dynasty. Moreover, feeling against Great Britain is somewhat bitter, as was apparent in the recent refusal to allow British airplanes to cross Persian territory. For these reasons the dispute is expected to involve a long diplomatic struggle.

On the heels of the action on the oil leases came reports that Persia had ordered munitions in the United States and contemplated granting a virtual monopoly of the Persian automobile and rubber business to the General Motors and Firestone Companies. The American United Aircraft and Transport Corporation sold and delivered recently forty airplane engines and forty propellers to the Persian Government.

#### THE TURKISH LANGUAGE

The congress on the Turkish language held sessions in Dolma Bagh-

chek Palace from Sept. 26 to Oct. 6. Kiazim Pasha, president of the Grand National Assembly, was president of the congress. President Mustapha Kemal Pasha attended all sessions without taking an active part and listened to the discussions on the origin of the Turkish language, its present situation, its modern and civil needs and the future development of the language.

The age of the language and its relationship with Indo-European tongues and other languages of Asia and Europe were considered, and also the direct development of the language and its grammatical history. Rules were elaborated by the congress for the formation of words to express new facts and for modernizing and Westernizing the manner of thinking. Particular emphasis was laid upon the desirability of purifying the language from foreign elements and bringing the written language nearer the spoken language of the people.

The linguistic revolution of 1932 was counted a continuation of the political revolution of 1919. The change to the Latin alphabet was commended as being especially helpful in eliminating foreign and, in particular, Arabic words. If the language be suitably Turkified, the formation of a Turkish mentality and a Turkish culture freed from foreign elements will follow naturally.

At the closing session a constitution was adopted for the Society for the Study of the Turkish Language, and a central committee of nine persons was chosen to carry on its work at Ankara.

#### THE FRENCH IN SYRIA

Now that Iraq has been recognized as an independent State, and has been admitted to the League of Nations, serious consideration is being given to similar treatment for Syria. Certain marked differences, however, exist between the two regions. Iraq is a unified State under monarchical government. While the French have sole

mandate for Syria, their administration has dealt with separate regions—the Syrian State, Great Lebanon, and the regions of the Druse mountain, Latakia and Alexandretta. Each of these subdivisions has had a constitution or organic law, while another law provides for a "Conference of Common Interests." As a republic, France has naturally favored republican government in Syria, but whatever may be the form of government it must be decided whether Syria shall become one new State or whether several separate States shall emerge at different times. Apparently the French propose independence for at least the Syrian State. Such a possibility was forecast in the Constitution, which provides that a treaty with France may be substituted for the mandate. The national pride of both Syrians and French is now moved strongly by the elevation of Iraq, so that some action may soon be expected.

While the Syrian State is enjoying constitutional government, the Lebanon remains under a virtual dictatorship which has existed since the suspension of its Constitution in May, 1932. Governor Charles Debbas, supported vigorously by High Commissioner Ponsot, has re-formed the administration extensively, eliminating many abuses and cutting expenses in half.

#### CONDITIONS IN PALESTINE

The Jewish Agency for Palestine, in a recent memorandum to the Mandates Commission of the League of Nations, summarized the situation in Palestine to the middle of 1932. This supplemented the memoranda of June, 1931, and June, 1930. A few of the many interesting facts contained therein are worth mentioning. The Jewish rural population increased 200 per cent in the nine years before Nov. 18, 1931. Strangely enough the increase in the Arab population was greatest in the regions of the greatest Jewish settlement. During the same period the Jewish urban popula-



tion nearly doubled. In 1930 the natural increase measured by excess of births over deaths among the Jews in Palestine was 2 per cent.

Sir Arthur Wauchope, in a report to the Mandates Commission of the League of Nations on Nov. 10, declared that during his first year of office he had traveled through every district in the country and had met members of all groups. While he had no fear of external aggression, the long frontiers of the country require the government to have forces which can act quickly in case of incursions or unrest. Sir Arthur, in October, approved the admission of 4,500 immi-

grants whom he believes the country is able to absorb. He has been impressed with the good spirit of the Jewish colony and their determination to overcome difficulties. On the other hand, he has become acutely aware of the impoverished condition of the Arab peasants. In his report he outlined measures in the government's development scheme to improve stock, seed, fruit trees and methods of farming. Efforts have been made to establish agricultural cooperative societies and to establish improved school gardens. During the past year efforts have been made to foster harmony between the Jews and the Arabs.

---

## The League Considers Manchuria

---

By TYLER DENNETT

*Professor of International Relations, Princeton University;  
Current History Associate*

---

THE first phase, probably the first of many phases, of the debate in the League of Nations over the Lytton Report and recommendations closed on Nov. 28. The question, with Japan reserving her rights, was referred from the Council to the Commission of Nineteen. There is a possibility that the discussions at Geneva will drag on until Spring, at least until after March 4, 1933, when the new American administration will assume responsibility. Obviously this preliminary hearing before the Council did not provide the suitable opportunity for any hint of compromise by Japan, by China or by the League. Notwithstanding the flood of words from the Japanese and Chinese representatives, no new facts were developed at Geneva in the last week of November.

The opening guns boomed on Sunday, Nov. 20, when the Japanese Government released its "Observations" on the Lytton Report (See official summary on page 504 of this issue)

and when Lord Lytton in a radio address appealed to America for the co-operation of civilized States in support of the world's peace machinery. Monday, Nov. 21, was a gala day of verbiage. Mr. Matsuoka led off in the morning. Dr. Koo followed in the afternoon. Tuesday there was no meeting, but on that day it was announced that China was being asked as a silver-using State to send an expert to join in the preparations for the world economic conference. Evidently not every one at Geneva shares the opinion that China, as a State, ceased to exist in 1916. It was suspected that this invitation to China may have been due somewhat to American influence, which during the week was revealed at the Council meetings only by the accents of Matsuoka of the University of Oregon and of Koo of Columbia University.

On Wednesday, over the protest of Japan, the Council invited the Lytton Commission to sit with it. Japan made a rebuttal to China's initial arraignment.

ment. The next day Dr. Koo replied and the Council debated whether it was proper to invite the Lytton Commission to state its views in the light of the preceding debate. Matsuoka protested then acquiesced and, after Japan had closed its "sub-rebuttal," Lord Lytton, speaking for the Commission, declared simply that the latter had nothing to add or subtract from its report and recommendations. While the tone of Japan was at first positive and not conciliatory, Matsuoka yielded on the question of referring the Lytton Report to the Assembly, where it will be considered under Article XV of the Covenant. A tone of conscious rectitude characterized the appeals of both the Japanese and the Chinese representatives.

If Dr. Koo was in any way conscious that China had in many ways provoked the controversy now rocking the world, he gave no intimation of such a feeling in his appeal. Also conscious of rectitude and warmed with righteous indignation was the radio address of Lord Lytton broadcast from Geneva on Nov. 20. The chairman of the Commission added only one item of information when he definitely stated what was only vaguely alluded to in the Report, namely, that the Commission's investigation in Manchuria was gravely embarrassed by the fact that no one was allowed to come near it without a police pass. In other words Japan sought, under the guise of protecting the Commission, to prevent it from securing first-hand information from those opposed to the existing régime. Lord Lytton's broadcast was notable chiefly because it voices the point of view of the other school of thought.

Throughout the debate there was considerable twitting on facts. In contending that China is an organized State, Dr. Koo pointed to the 158 per cent gain of Chinese foreign trade during the past twenty years. As for her failure to keep her international obligations, what about Japan's failure to keep similar engagements?

It seems that Japan also has her "war lords" who do not recognize the authority of their Foreign Office. In support of the Japanese contention that the Chinese boycott is a justification for intervention, Mr. Matsuoka recalled that in the Summer of 1905 President Roosevelt had been highly incensed at the Chinese boycott of American goods, and, so he alleged, even resorted to some degree of intimidation.

The charge that Japan exceeded in Manchuria the right of self-defense is embarrassed by the generous concessions volunteered by Secretary Kellogg in the negotiations of the Pact of Paris when he declared that the right of self-defense is not only inherent in every sovereign State and implicit in every treaty but that "every nation is free at all times and regardless of treaty provisions, to defend its territories from attack and invasion and it alone is competent to decide whether circumstances require recourse to war in self-defense." The Japanese did not overlook that the Senate, in an excess of caution, went even further by declaring that measures of self-defense might even involve military operations outside the territorial boundaries of the State. Presumably, it was the American intent to leave wide open the door for the repetition in Mexico and Caribbean areas of such military measures as have in the past so frequently characterized American policy in those regions. Just as American policy in Mexico in 1916 influenced the now defunct Lansing-Ishii agreement of 1917, so the subsequent policy of the United States in Nicaragua determined the limits within which the definition of self-defense must be kept. When the Japanese at Geneva declared that "they [the military operations in Manchuria] had no relations to anything but self-defense, and the Japanese Government cannot allow either their necessity or their appropriateness to be the subject of discussion," the statement was, in

fact, not quite so insolent as might otherwise have seemed to be the case.

France, logical France, also appears to have been entangled in a lack of consistency. She recognizes that a Japan, not only powerful but friendly, would supply an effective link in a policy against Russia. Her national interest is, therefore, somewhat served by acquiescing in the support of an Asiatic "revisionist" policy. On the other hand, the application of a similar policy in Europe would seriously compromise and weaken security in the West. Between the two policies, one in Europe and the other in the Far East, there can be little or no middle ground for France. Either she is committed to the defense of territorial boundaries or she is not. If she is so committed, she cannot consistently support the Japanese action in Manchuria.

The vital questions before the League, however, are not whether Japan went beyond the provisions of the Kellogg pact nor whether the Chinese have for ten years been definitely provocative. Japan herself posed one of the real questions when in the "Observations" she quoted the "principle laid down in the Caroline case" on the criteria of self-defense—"necessity, instant and overwhelming, allowing no choice of means and no instant for deliberation." Having posed the question, Japan defaulted. Matsuoka was weakest when he sought to show that his country had no second choice. The explanation was: "First, that the Japanese national sentiment would not permit outside interference in the Manchurian question. \* \* \* Secondly, had we referred the matter to the League, the position of Japanese subjects, including Koreans, in Manchuria would have been seriously undermined in view of the delay invariably incidental to League procedure. Thirdly, there is a difference between the Japanese and Western mentality. The Westerner would begin to argue before the situation became acute, while the Japanese persists,

perhaps too long, in the hope of a solution. Fourthly, when the breaking point came unexpectedly, events took their own natural course."

These points are stated in the order of their ascending force. The last is the most important, for it is in the nature of throwing the defendant on the mercy of the court. Matsuoka was most persuasive when he appealed for patience. He pleaded: "I ask of the Council a little patience. If the Western World will bestow upon us only a fraction of the tolerance it has so generously bestowed upon China it will be gratefully received."

The second critical issue—of which Dr. Koo made the most—was that Japan had defied the League. Taken from the lips of Dr. Koo the charge was made stronger by the belligerent and uncompromising declarations of the Japanese War Office on the opening day of the debate.

Underlying both these critical questions, however, is one raised by the Lytton Report itself, namely, that Japan has violated an inexorable law of the society of nations in antagonizing a neighboring State upon whose trade and good-will she is dependent. The penalties for the violation of this law do not lie in sanctions to be imposed by the League, under Article XVI, but in inevitable economic consequences which will arise from increased military expenditures on the one hand and, on the other, decreased revenues from trade with China. Japan may have offended the *amour propre* of Lord Lytton, of the League of Nations, of an American Secretary of State, but the greatest transgression is against economic law. The vengeance may well be his; let him repay. Such is the argument of many thoughtful observers in Japan as well as other countries.

It seems incredible and unlikely that the Chinese seriously consider, as a possible outcome of the consideration of the Lytton Report, that Japan will be forced to withdraw from even those portions of Manchuria which

are outside the railway zone. Such an evacuation could be achieved only as the result of a very large military effort. Nothing is clearer than that neither Great Britain, France nor the United States will join in the application of any kind of military sanction. It cannot be doubted that President Hoover, in his Omaha speech last October, spoke for the American people when he declared that the United States would not join in the application of such coercion. With these three powers subtracted from the equation, it is perfectly clear that Japan cannot be driven from Manchuria by the employment of force recruited out of the West.

There is the alternative, however, that New York, London and Paris will stand pat in refusing financial aid to Japan in her present dire financial straits. It has been persistently rumored for many weeks that Japan has been refused a loan in all those three money centres of the world. The request for a French loan has been coupled with the rumor that Japan has offered France a military alliance—an "implementing" of the Franco-Japanese treaty of 1907. The rumors that Japan has proposed such an alliance are so persistent that they become very credible, notwithstanding Matsuoka's emphatic denial. Lacking Occidental financial support, it seems very probable that the Japanese yen, which has already depreciated to about 40 per cent of its par value of 49.85 cents, will go still lower. The international balance of payments is unfavorable to Japan. Like the British sterling, although to a very much greater degree, more yen is offered in the international market than there is a demand for. It is reported that the Tokyo Government contemplates bond issues in the near future in excess of 2,000,000,000 yen, perhaps a third of the present total funded debt. The Japanese Navy was reported on Nov. 1 as asking for a supplemental appropriation of more than 5,000,000,000 yen for a four-year building pro-

gram "to make up the deficiency caused by the London naval treaty." In making this request the navy is reported to have advanced its program one year beyond the previous schedule. This additional sum is in addition to the ordinary navy expenditure.

The Japanese budget for 1933-34 was approved by the Cabinet on Nov. 25. It called for total expenditures of more than 2,200,000,000 yen—about \$476,000,000 at the current rate. The regular navy expenditure is estimated at 373,000,000 yen and the army's budget at 448,000,000. The War Office estimate had previously been put at 662,000,000 yen. As might be expected, the budget met with a storm of opposition. The financiers, with their eye on the already depreciated yen, were most vocal. For the first time since September, 1931, the bankers' protests became publicly audible. Baron Go, at a Chamber of Commerce dinner on Nov. 24 exchanged views with General Araki, publicly declaring that Japan's financial situation has become unstable. The already insolvent Japanese farmer does not yet realize what further debt and depreciated currency mean to him, both when he buys and when he tries to sell his pitifully small produce.

China has, however, still another ally, which may in the end be more substantial. It is fundamental in Chinese foreign policy to depend upon foreign assistance for defense. China would prefer to receive that aid from the United States, but, failing to obtain it there, she would like to have it from the League of Nations. If it is unobtainable in both America and Geneva, it is logical and almost inevitable that China should seek again a defensive alliance in Russia, where such a military arrangement was negotiated more than a third of a century ago. There has been in the Western world so much wishful thinking about the help which the Soviet Union may render China in her conflict with Japan that one hesitates to harp on the sub-



ject further. It cannot be overlooked, however, that China is looking for a more substantial friend than she can find in Washington, in London, in Paris or anywhere in Europe, unless it be in Moscow.

Mr. Matsuoka on his way to Geneva stopped in Moscow, but apparently failed to reach any agreement with Russia. From Tokyo it was reported on Nov. 4 that Dr. W. W. Yen, the Chinese delegate at Geneva, talked with Maxim Litvinov, the Soviet Foreign Commissar at Geneva, regarding a resumption of diplomatic relations between China and Russia. At the end of November it was reported that conversations being held in Geneva between Dr. Yen and V. S. Dovgalevski, now representing the Soviet Union in Paris, had reached an advanced stage.

Although China looks to Washington and to Geneva for help, she is, at the moment, receiving more effective aid from the financial conditions in Japan already referred to and from the pertinacity of her "volunteers" in Manchuria. During November Japan waged a desultory warfare on many fronts in the new State of Manchukuo. On Nov. 3 a great Japanese victory was reported at Tsitsihar, 200 miles northwest of Harbin. On the same day Japan reported that she had restored quiet southeast of Mukden, but two days later it was necessary to acknowledge that there were still great bodies of volunteers at large in the area west of Tsitsihar. Japan holds the South Manchurian Railway and the south branch of the Chinese Eastern, but when Mr. Matsuoka went to Geneva, he could not cross Manchukuo from Harbin to Manchuli in the direction of the main line of the Trans-siberian for the simple reason that Japan does not control the western link of the Chinese Eastern. General Muto, on Nov. 9, announced a plan to buy off the alleged bandits, which he estimated at 210,000. Three days later an airplane mission proceeded to

Manchuli to negotiate with General Hsu Ping-wen, who holds 245 Japanese hostages. Moscow permitted the Japanese mission to enter Dauria, whence negotiations were to be conducted. General Hsu rejected the gold and the compromise and defied Japan. While the Japanese were pleading their case at Geneva, Moscow requested the Japanese to withdraw from Dauria, where the negotiations had been quite futile.

Recently it was alleged that Japan was prepared to launch a new drive through Jehol. If Japan wishes to support the Manchukuo claim to effective administration of Manchuria, it would appear that the reclamation of Barga and of Jehol, as well as the entire area north from Tsitsihar, is already long overdue.

The military events of the last three months in Manchuria are helping the arguments advanced by the Lytton Commission that Japan is indulging in a very costly venture. On the other hand, there is little in the present situation to warrant much Chinese optimism. Some of the Chinese are already beginning to take a sober second thought. "Manchuria is gone," declared Edward Hsu in the *China Critic* for Oct. 27, 1932; "so long as China remains what she is, so long will Manchuria remain a piece of unredeemed territory. To recover it, China and her people must go through a fundamental change."

It is worth pointing out that there is before the League, at the present moment, no proposal, other than that of the somewhat frantic Chinese delegates, which would restore Manchuria to China. If the status quo is maintained, Manchuria is gone until either China, the Chinese in Manchuria or some Western power rises to drive out the conqueror. If the Lytton recommendations are accepted and some day put into effect, Manchuria will even then be only nominally part of China. In either case, Manchuria is gone.

# The Japanese Reply to the Lytton Report

*The following summary of the observations of the Japanese Government on the report of the Commission of Inquiry appointed by the resolution of Dec. 10, 1931, of the Council of the League of Nations, was issued on Nov. 20, 1932, through the Japanese Consulate General in New York City:*

## INTRODUCTION.

THE Japanese Government express sincere appreciation of the endeavors made by the members of the Commission to make themselves acquainted with the details of a very delicate and complicated situation which presents many unfamiliar and novel features. They indicate, however, that, owing to the shortness of the time available, the Commission could only acquire a superficial impression; and that, in particular, it is felt that if the Commission had visited other parts of the country, especially South China, their optimism regarding the Chinese situation would have been considerably modified.

The Japanese Government disclaim any intention of entering into a meticulous criticism of details in the Report, which they recognize furnishes a valuable compendium of events. They limit themselves to the formulation of certain observations on matters of capital importance.

They have not the remotest intention of casting any reflection on the conscientious nature of the Report. But they feel that the comparative weight to be attached to the evidence has been wrongly estimated. It is apparent on the face of the Report that its findings are based on newspaper articles, letters of casual correspondents and private conversations, as well as on authenticated official material; and the right of elucidating the degree of credit which attaches to this miscellaneous evidence must be reserved.

It is used invariably against Japan, and this is particularly noticeable in the sections of the Report which deal with the incident of Sept. 18 and with the establishment of the Independent State of Manchukuo. In the former case it leads to a complete misconstruction of the motives which actuated the Japanese armed forces, and, in the latter case, to the presentation of suggestions for the future government of Manchukuo which are consistent neither with the tenor of the remainder of the Report nor with the realities of the situation.

After these preliminary remarks, the Introduction closes with a disclaimer of any such bitter feeling toward the Chinese people as a whole as is suggested by some passages of the Report. Japan looks forward to ages of prosperous and friendly cooperation between the two peoples.

## CHAPTER I—CHINA

### A GENERAL SURVEY

The Japanese Government acknowledge

that the Report contains many conclusions flowing for the most part from observed facts. But these observations and conclusions are enveloped in a mist of optimism, the glamour of which is certain to be misleading to any one who does not know the true facts.

The Commission appear to be surprised by such statements as that "China is not an organized State" (p. 17), and that "China is in a condition of complete chaos and incredible anarchy" (p. 17). They call attention to "an altogether different attitude that was taken at the time of the Washington Conference by all the participating Powers," when in fact if conditions were bad then, they are worse now. That most of the many contending factions, from which the National Government at Nanking secure no obedience, may aim at the ideal of a united China, of which each thinks to be the master, is possible enough; but that does not make China united, as the Report seems to suppose.

At the time of the Washington Conference, it was possible to hope for an early restoration of unity and peace to China. Events have belied that hope. The struggles of rival militarists have become ingrained and endemic; the situation is wholly different from that of 1922.

The Japanese Government proceed to cite several passages in which the Report in emphatic and unqualified terms records the prevalence of violent upheavals and dissensions in China, forcing the Central Government to fight for its very existence, and culminating in the statement that "not even the semblance of unity could be preserved" \* \* \* "when powerful war lords concluded alliances amongst themselves and marched their armies against Nanking," in a contest which in their eyes was "never an act of rebellion," but "simply a struggle for supremacy" \* \* \* (p. 17). It is asked how these statements can be reconciled with others in the Report—e. g., that "the central authority is not at least openly repudiated" (p. 17). The struggles between rival war lords are very far from having come to an end—several actual examples of this are cited, including the strife between Liu Wen-hui and Liu Hsiang in Szechwan, which no efforts on the part of the Central Government have been able to terminate. Further, there now exists the formidable Communist movement, which the Report admits has "become an actual rival of the National Government," possessing "its own law, army and Government, and its own territorial sphere of action" (p. 23).

Upon this rapid review of the "disruptive forces," the continually controlling character of which the Report duly recognizes, it is the conviction of the Japanese Government that, contrary to the view expressed in the Report that

"considerable progress has in fact been made" since the date of the Washington Conference, an impartial examination will show that the condition of China is in fact much worse.

#### B. ANTI-FOREIGN ACTIVITIES IN CHINA.

The admission of the Report is quoted to the effect that the progress of China has been "hampered by the virulence of the anti-foreign propaganda which has been pursued" (p. 18). The Commission remark that this propaganda is especially notable in two directions—viz., in the matter of boycotts and anti-foreignism in the schools. As the detailed discussion of these two matters is dissevered in the Report, the Japanese Government show that it is necessary, in order to appreciate the situation properly, to co-ordinate them, and to exhibit them as manifestations of one underlying spirit of hostility.

The National Government, permeated by acute anti-foreign feeling, are working earnestly to instill a virulent hatred of foreigners into the minds of the younger generation. Fifty millions of young Chinese are growing up under the influence of violent ideals, constituting a terrific problem for the future. The Nanking Government are doing their best to foster this alarming process, as is evident from the Report, which observes that "a perusal of the textbooks used in the schools leaves the impression on the mind of a reader that their authors have sought to kindle patriotism with the flame of hatred, and to build up manliness upon a sense of injury" (p. 15)—and shows how the result has already been to induce the students to engage in violent activities.

In the same way the Report recognizes that the Chinese boycotts have been the definite expression of a hostile attitude on the part of China toward Japan, and that they are consequently detrimental to friendly relations between those countries both from a psychological and from a material point of view. This confirms what the Japanese Government have always maintained; but they would add that the boycott has taken on the special feature in China of being employed as an instrument of national policy and as a lever by which to extort from other nations the abandonment of treaty rights. They concur with the Report in holding the Nationalist party responsible for the boycotts, but they point out that it is not a mere political party in the Occidental sense, but a constitutional State organ, for whose acts the National Government must be responsible.

Returning to the necessity for coordinating these quasi-hostile activities of educational propaganda and the boycott, the Japanese Government emphasize the fact, not brought out in the Report, that they are only two phases of one underlying phenomenon, the anti-foreign policy of the Kuomintang and the Nationalist Government. It is this avowed policy of theirs which has contributed to alarm foreign Powers, and increased their reluctance to surrender the rights which constitute at the moment their only pro-

tection. The Report recognizes that the Kuomintang and its "demands" have "introduced to the nationalism of China an additional and abnormal tinge of bitterness against all foreign influences" (p. 18), but this is to understate the case.

The Kuomintang party have time and again announced as their basic foreign policy the abolition of foreign rights and the unilateral denunciation of "unequal" treaties. They have repeatedly pledged themselves to the public to carry out this policy. They have carried legislation putting their principles into practice. Their law of Dec. 28, 1929, provided for the abolition of extraterritorial rights as from Jan. 1, 1930, and in January, 1930, they announced their intention of abolishing extraterritoriality by other than diplomatic means unless a satisfactory settlement could be immediately arrived at, and, in fact, regulations were then issued for the administration of justice in the case of foreigners. It will be apparent, therefore, that foreigners and their rights in China were faced with serious dangers prior to Sept. 18, 1931.

And, as the Report observes, "Japan has suffered more than any other Power from this lawless condition" (p. 23).

#### C. ABNORMAL STATUS OF FOREIGNERS.

The internal disintegration which lies at the very heart of the capital question of China, together with the state of constant insecurity to which the lives and property of foreigners are consequently exposed; the inculcation of hatred in the schools, and the anti-foreign propaganda among the adolescent; the perfected methods of boycott to be applied to foreigners of one nationality or another; the unilateral denunciation of treaties, along with the rest of the measures derived from the theories of "revolutionary diplomacy"—all contribute to invest the problems which are presented by China, destitute as she is of a strong and united government, with an entirely special character, and prevent the application of usual methods of solution. Such anti-foreign characteristics as have been described—unparalleled elsewhere—have obliged foreign Powers to maintain a system for the protection of their rights and interests at their own hand. They not only have extraterritorial rights but police and administer whole "concessions" in Tientsin, Hankow, Shanghai and other cities, and maintain the necessary troops and ships to protect their rights directly by force of arms, nor is this an empty form. There have been many occasions on which these troops and vessels have been actively employed.

It is thus clear that the position of foreign Powers in China is an altogether exceptional one, without parallel in other parts of the world. The Report itself admits that until the discrepancy between China's aspirations in the field of foreign relations and her ability to discharge the functions of a modern government in the sphere of domestic affairs has been removed, "the danger of international friction and of incidents, boycotts and armed interventions will continue" (p. 23).

The application of the "peace machinery," as constituted at present, encounters inseparable obstacles in regard to such a country. The abnormal conditions prevailing in China and the fact that the Powers refuse accordingly to modify the abnormal and extraordinary institutions above mentioned, are sufficient proof of this.

## CHAPTER II—MANCHURIA

### A GENERAL SURVEY

The Japanese Government remark on the failure of the Commission to realize that Manchuria is not naturally and necessarily a part of China. They observe that, on the contrary, its union with China has only been temporary and accidental, and they quote the published opinion of M. Escarrs, an adviser to the Nanking Government in *Le Chine et Le Droit International* (p. 240), to the effect that the bond between the two was a "lien personel," due to the fact that the Manchus occupied the Chinese throne—a bond the basis of which disappeared with the fall of the Empire and which the Republic did little to strengthen. Even assuming that in this ambiguous post-Empire state of things Manchuria must be pronounced to have been for the moment duly incorporated with China—a large assumption—the fall of the united Republic in 1916 signalized the break-up of all unity of government in China. None of the governments arising in that vast area had any title to supremacy over the rest, and the eventual establishment of a government at Nanking, and its recognition as a legitimate government by the powers, could not invest it with authority over regions such as Manchuria, which had never been subject to its sway. In point of fact, Chang Tso-lin never took orders from any of the various parties who from time to time seized authority in Peking, though he may have consulted their inclinations when it suited him to do so. "He seems," says the Report, "to have looked upon his relations with the government in the sense of a personal alliance" (p. 28), and it gives many instances of his independence. The Report, indeed, argues that in adopting this attitude "he did not mean to be independent of China" (p. 28-29), but in his declaration of May, 1922, to the foreign Ministers in Peking, Chang Tso-lin plainly states that the Northeastern Provinces "are not recognized as territories of the Republic of China." His son, General Chang Hsueh-liang, has adopted essentially the same attitude. As the Report says, his "relationship with the Central Government depended in all affairs \* \* \* on voluntary cooperation. Orders or instructions requiring unquestioning obedience would not have been tolerated. Appointments or dismissals against the wishes of the Manchurian authorities were unthinkable" (p. 30). The Report thus clearly demonstrates the entire independence of Manchuria under the Changs from subjection to, or interference by, any Chinese Government.

### B. MISGOVERNMENT UNDER THE CHANG DYNASTY

The Commission note, while they somewhat extenuate, the maladministration that prevailed under the Changs. Their statement is effective, even in its prudishly moderate form, as showing how the Manchurian people labored under an oppressive yoke of official and militarist victimization, and how unlikely it is that any artificial Japanese stimulus was necessary in order to induce them to break it when the opportunity came. "Military expenses are estimated to have amounted to 80 per cent of the total expenditure." "All power resided in the hands of a few military men." "Corruption and maladministration continued to be the unavoidable consequences." "The authorities further taxed the people by steadily depreciating their redeemable provincial currencies." "Officials used their power to gather wealth for themselves and their favorites."

### C. SPECIAL POSITION OF JAPAN

The "special position" of Japan in Manchuria, to which so much mystery is attached, is a very simple matter. It is nothing but the aggregate of Japan's exceptional treaty rights, plus the natural consequences of her propinquity, geographical situation and historical associations. Her interests there are exceptional, intimate and vital, and justify measures of self-protection on the standard principle laid down in the Caroline case: that every act of self-defense must depend for its justification on the importance of the interests to be defended, on the imminence of the danger and on the necessity of the act. This special position of Japan does not give her, nor is it asserted to give her, a general and vexatious right of intervention in the administration of the country. But it creates a position in which she must defend herself with uncommon energy against military attack.

This special position—economic, strategic and historic—is fully admitted in the Report. It observes, however, that it "conflicts with the sovereignty of China." Such is not the case, for it is well established that rights granted by a sovereign State in the exercise of its sovereignty do not "conflict with" but on the contrary constitute an exhibition of that sovereign power. Nor can the special circumstances of fact which render Manchuria so important to Japan possibly conflict with the local sovereignty. They only make it somewhat more liable than otherwise to the remote possibility of the occurrence of acts of self-defense—a liability to which the most powerful States must necessarily be subject, as is shown by the case of the Caroline.

The Report makes no acknowledgment of the civilizing work accomplished by the South Manchuria Railway under Japanese management and control. It lays stress on the development of Manchuria effected by the influx of an industrious Chinese multitude. But this influx was not due (as it suggests) to an official



Chinese policy, but to the attractiveness of Manchuria in remaining free, owing to the presence of Japan, from the scourge of war. The ties of this new population with their old abode are, as observed by the Report, "chiefly racial and social" (p. 125). It is difficult to understand the emphasis which the Report places on the political effectiveness of this non-political, non-economic bond.

#### D. ATTACKS ON JAPAN'S POSITION

Although the Report says little concerning the enterprises and establishments of the Japanese in Manchuria, it is these that have been the objects of Chinese attacks. The Report examines them (Chapter 3) under the heads of:

1. Encircling policy against the South Manchuria Railway.
2. Obstacles to leasing land and exercise of other treaty rights.
3. Oppression of Japanese subjects (especially Koreans).
4. The assassination of Captain Nakamura.

But it deals with these matters piecemeal, and fails to coordinate them into one whole, animated by one basic cause: a fixed intention to annihilate Japanese rights in Manchuria. This is an all-important matter as showing the genesis of the incident of Sept. 18, 1931, and it is regrettable that the telling summary of the various attacks upon Japan's position which is contained in Chapter 2 of the Report is left "in the air" and is not related, as it should have been, to the account of the origin of the incident which is given in Chapter 4.

The summary in Chapter 2 shows that what the Report styles "a forward policy" had already been adopted in Manchuria before the union with the Nationalists, and that after that event Manchuria "was opened to well-organized and systematic Kuomintang propaganda" (pp. 30, 31), the serious effects of which the Commission describe in detail. Nothing of all this is mentioned in Chapter 4 (the Sept. 18 incident), where the "forward policy" is indeed ascribed to the Japanese. The whole background of the incident is cut adrift. All the evidence of an aggressive determination on the Chinese side is discarded. It is replaced by a collection of surmises why the Japanese might be supposed to have been prepared for resumption of a "positive policy." The result is to put before the reader in Chapter 4 domestic discontent in Japan, instead of Chinese aggressiveness, as the cause of the incident.

In fact, the Japanese Government were doing all in their power to lessen the tension, and to diminish the likelihood of an appeal to force.

Many instances can be given of the truculence and insolence prevailing in General Chang Hsueh-liang's army in Mukden, and it is instructive to notice that when the Japanese troops entered the North barracks there, there was found on its walls a placard exhorting the men in the garrison to "look at the railway running along the west side of these barracks." It is little wonder that

at this very spot the explosion was engineered by those very men. The paramount necessity of avoiding the smallest act which might explode the inflammable atmosphere must be apparent to every one who realizes the growing aggressiveness of the Chinese.

#### CHAPTER III—THE INCIDENT OF SEPT. 18 AND SUBSEQUENT OPERATIONS

The account of the Japanese military authorities is upheld as entirely correct, and the Council are referred to it for certain details which are omitted from the summary of it contained in the Report. The conclusions advanced by the Report appear to follow neither from the Japanese nor the Chinese account, and seem to have been influenced by outside information. They recognize the fact of the explosion on the night of the 18th, but they add that the damage done was not of itself sufficient to justify military action.

But, as has been already observed, the Report fails to bring out and take account of the state of acute tension which it admits to have existed, and it also misinterprets the fact that the Japanese Army certainly had a plan to deal with such a situation as in fact arose. The former matter has just been dealt with. As respects the existence of "a carefully prepared plan to meet the case of possible hostilities" (p. 71), the Japanese Army undoubtedly had such a plan, and it would have been a gross dereliction of duty if it had not. It was faced by a numerically far superior force, outnumbering it by twenty to one, and possessed of a vast supply of material, including airplanes. To prevent itself from being overwhelmed, it had to have a plan of which the execution, when once the alarm arose, was almost automatic. It was, in fact, "put into operation with swiftness and precision" (p. 71), and properly so.

The Report draws an unfavorable contrast between the preparation of this plan on the Japanese side and the supposed absence of plans on the part of the Chinese. It also refers to a telegram asserted to have been dispatched on Sept. 6 by General Chang Hsueh-liang instructing the troops to avoid having recourse to force. Such a telegram, if indeed it was actually sent and circulated, might have been canceled or disobeyed, for Chinese discipline is notoriously bad. In point of fact, the Chinese did attack on that night and did continue to resist force of arms. Indeed, the Report observes that there was no "concerted or authorized" Chinese attack, leaving it open to infer that there was an unofficial one. That, "concerted or authorized" or not, put the Japanese emergency plan automatically into motion.

The Report adds that "the military operations of the Japanese troops during this night \* \* \* cannot be regarded as measures of legitimate self-defense." It is entirely impossible to accept this gratuitous opinion.

The statements at the time of the negotiations which led up to the signature of the Briand-Kellogg Treaty for the Outlawry of War, made by Mr. Kellogg himself on June 23, 1928, by the Senate of the United States, by the British Foreign Minister of the day (notes of Sir A. Chamberlain K. G., May 19, July, 1928), and by the French and German Governments, clearly reserved the right of self-defense and none contradict the observation made by Mr. Kellogg that "every nation \* \* \* is alone competent to decide whether circumstances require recourse to war in self-defense," which the British and French notes expressly corroborate. The right to pronounce on the legitimacy of the Japanese military measures therefore rests solely with the Japanese Government.

The right of self-defense demands, according to Daniel Webster's standard definition, a case of "necessity, instant and overwhelming, allowing no choice of means and no instant for deliberation." With these conditions the incident of Sept. 18 precisely complies. There was the danger constituted by an overt act by members of a vastly superior force, capable, if not nipped in the bud, of driving the Japanese into the sea. There was no choice of means—what else was to be done? There was no instant for deliberation—the open attack was already launched. The interests at stake were no less than the whole position of Japan in the Far East.

It is as impossible as it would be unjust to make Japan responsible for the further events which supervened on the Chinese resistance. There is no knowing how far resistance to measures of self-defense may develop, as was evidenced in the battle of Navarino, which was desired by no one, but which in the then state of tension was precipitated by a chance shot, with the most momentous consequences.

In short, the whole series of operations were entailed by the putting into execution of a plan carefully prepared to meet the alarming eventuality of a Chinese attack. They had no relation to anything but self-defense, and the Japanese Government cannot allow either their necessity or their appropriateness to be the subject of discussion.

#### CHAPTER IV—THE NEW STATE

It is first observed that the conclusion of the Report that "the maintenance and recognition of the present régime in Manchuria would be equally unsatisfactory" with the restoration of the former state of things, appears to have been reached with little reference to proved facts; and regret is expressed that the Commission, giving little weight to the solemn declarations of the Japanese Government and the documents presented by them, have apparently listened to the opinions of unidentified persons and accorded credence to letters and communications of doubtful or unknown antecedents. Accordingly, the Japanese Government proceed to enlighten the Council more fully.

#### A. ESTABLISHMENT OF MANCHUKUO

Exception is taken to the statement in the Report that nothing was ever heard of the independence of Manchuria before September, 1931. It is recalled that Manchuria has always constituted a special territory, geographically and historically distinct from China proper. There was no power in the Republic to annex it to China proper and its independence was at least twice proclaimed by Chang Tso-lin. The expensive ambitions and adventures undertaken by him and his successor, with the misgovernment which that expense entailed, gave rise to a movement known as "Paoching Anmin" ("Preserve the Frontiers and Give Peace."). From such a movement to independence in name as well as in fact was a trivial step. This movement is a historic fact: the leaders were Mr. Wang Yung-chiang and Mr. Yu Shung-han, that same Mr. Yu who, after Sept. 18, became the organizer of the "Self-Government Guiding Board." It is surprising, therefore, that the Report should aver that independence movements had not been heard of. There was in existence this definite movement implying Manchurian independence of China proper and freedom from the misrule of the Changs.

Coming to the actual establishment of the new State of Manchukuo, the Report states categorically that its proclamation was inaugurated, organized and carried through by the Japanese; that the activities of the Japanese headquarters staff were marked, from Sept. 18 onward, by political motives; and that the General Staff in Tokyo lent the movement their assistance and gave directions to its organizers. The facts are otherwise. When the followers of General Chang Hsueh-liang disappeared, as they mainly did after the events of Sept. 18, 1931, local leaders began in the different districts to carry on the machinery of daily life, and the Japanese Army, whose imperative duty it was to do no more than was necessary in the exercise of their measures of self-defense, welcomed this incipient organization and assisted it by all means. That eventually such nuclei of administration coalesced into district, provincial and national bodies was very natural and even serviceable. That they should have developed into a genuine State is no matter for astonishment, and offers no occasion for invoking an imaginary Japanese stimulus.

The movement already existed to get rid of the Chang dynasty, and this easily slid into a movement for disclaiming connection with China. It comported well, moreover, with another existing movement: viz., that which aimed at the restoration of the Manchu dynasty. The Report itself admits that the movement in favor of local, provincial or State independence was the work of highly placed Chinese, Manchus or Mongols; we need only name Dr. Chan Hsiu-popo, Mr. Yuan Chin-kai, Sr. Chang Yin-ching, Sr. Hsieh Chieh-shih, Sr. Yu Chung-han, General Tsung Chih-yi, General Hsi Hsia and General Chang Chin-hui. Chinese, Man-

chus and Mongols alone compose that Northeastern Administrative Council—the germ of the new State. An examination of the dates will show how impossible it is that any Japanese authorities should have organized and stimulated an independence movement which showed itself active by Sept. 26—on which day the Fengtien Committee for the Preservation of Order was already issuing declarations which contemplated the independence of Manchuria. Several other early declarations in a similar sense can be adduced. The correct inference is that the aspirations of the leading Chinese and Manchu inhabitants spontaneously and naturally found a sphere of action hitherto denied them on the disappearance of so objectionable an administration as that of the Chang dynasty.

Neither the Japanese Government nor the Japanese Headquarters Staff gave these wider ideas any encouragement. Baron Shidehara, then Minister of Foreign Affairs, and General Minami, Minister of War, both issued instructions on Sept. 26 strictly forbidding participation by the Japanese in the various attempts to establish a new political authority in Manchuria; and in conformity with these instructions the Japanese, civil as well as military, uniformly abstained from interference. When the movement had finally established itself among the Chinese, Manchus and Mongols, of course, the Japanese should no longer ignore it. The "Self-Government Guiding Board" was an institution not created until Nov. 10, and was under the management of a Chinese. Yet the Report represents it as an organ of the Kwantung Army headquarters. This is a mere repetition of the allegations in the Chinese memorandum, corroborated, according to the report, by "reliable" witnesses, who are left unidentified, and it is completely at variance with the facts.

It may probably be true, as the Report says, that such a movement in favor of a change of government could not have been carried through but for the presence of the Japanese troops. But they were merely in the exercise of a lawful right of self-defense, and if the independence movement took advantage of the conditions thus created, that altered in no wise the spontaneity of the movement. There are many instances in other continents where independence has been proclaimed by the presence of foreign forces, and where that independence has never been questioned.

It is true, also, that the Nine-Power Treaty of 1922 prevents the signatory powers from impairing the sovereignty of China. But it is irrelevant. If in the due fulfillment of her lawful rights a signatory power finds herself in Chinese territory, she cannot be responsible for the consequences. If these consequences impair Chinese sovereignty or integrity, it is not she who is to blame. Even supposing, therefore, that Manchuria under General Chang Hsueh-liang was really an integral part of China, still Japan cannot be answerable for the consequences of her proper and necessary action.

To deny that the present régime is to be regarded as the outcome of a natural and spontaneous movement is to admit that all the evidence presented by Manchukuo has been disregarded, including the *Histoire de l'Indépendance du Manchoukuo* with its detailed and specific account of the many demonstrations which have set the seal of their approval upon the new government. It is repeated confidently that the movement was a genuine, spontaneous, popular and natural one. The old crown domain installed the descendant of its ancient chiefs, to secure it alike from the oppressions of its quondam militarist tyrants and from the anarchy of China proper. Why this rational and natural step should be ascribed to the machinations of Japan, it is hard to imagine.

#### B. ATTITUDE OF ITS INHABITANTS

A striking feature of this part of the Report is the great credit attached to the 1,500 letters of unidentified Chinese, all but two of which are said to be unfavorable to Manchukuo and Japan, and the little weight ascribed to official memoranda and to the petitions and declarations of responsible bodies which enumerate the grievances which the population had against the late administration and give voice to its aspirations and its hopes.

Considering the vigor and activity of Chinese propaganda, it is really astonishing that only one in 20,000 of the inhabitants of Manchuria was moved to write against the new régime, and it is a fact that tells in favor of the latter. In the same sense stands the positive evidence afforded by assemblies and delegations, all strongly in favor of Manchukuo; this is all dismissed by the Report as due to Japanese machinations, but, as has been already observed, it is surely intelligible that a people who had been systematically "squeezed," oppressed and defrauded by their rulers would not need the stimulus of Japanese threats and bribes to induce them to accept a government which at least offered them a chance of security for the products of their labor. The Report, indeed, systematically lays stress on every voice which is critical of Manchukuo, and discounts or discredits every opinion—such as that of the Koreans and Mongols—which is favorable to the new régime.

Fortunately the truth is more encouraging than the unfavorable picture drawn in the Report. It is unnecessary to enumerate the signal marks of acceptance which, in spite of the effort of the enemies of Manchukuo, the population has continuously accorded to the new régime. It is a civil government, the first of this character that the people of the country have known since the Manchu dynasty was overthrown, and this civil character stands out conspicuously in comparison with any of the autocratic militarist governments which at present bear rule in China.

#### C. PROSPECTS

The Report thinks that "after making



every allowance" "there is no indication that the government will in fact be able to carry out any of its projected reforms" and it singles out the budget and currency reforms for special skepticism.

Contrast this critical attitude with that exhibited in Chapter I of the Report, where the attempts, mostly abortive, and programs of Chinese reformers are appreciatively recorded. It will be noted that while China is given credit for having accomplished much, Manchukuo is coldly frowned upon as not very likely ever to accomplish anything. And this, although she has already really put several of her contemplated reforms into actual execution.

Attention is especially drawn by the Japanese Government to two points: the restoration of peace and order in Manchukuo and the management of its finances.

The establishment of a new State is commonly attended by disturbances. In this case, the disbandment of vast regular armies in the employ of the old régime has turned them adrift to become bandits. Manchukuo is working hard to disperse the major hordes; the second stage will be the suppression of any minor groups which may remain, by police methods. The rapid improvement of the organization of a regular police force is a proved fact, which will contribute to this end. Meanwhile the work of suppression of the major bands is successfully proceeding. The forces of General Ma have been destroyed. Those under General Li Hai-ching have been defeated. Those under Generals Ting-chao and Li-tu have been driven into the remote regions north of the eastern section of the Chinese Eastern Railway. The strong bands of brigands which infested an area between the Mukden-Hailung Railway and the river Yalu, and which constituted the principal source of danger in South Manchuria, have been annihilated.

Meanwhile it is significant that all these soldier-bandits are receiving material support from China proper; and that the operations of minor bandits are more and more tending to be directed against foreigners, with the evident aim of casting discredit upon Manchukuo. The final extermination of banditry cannot be accomplished in a moment, but it is expected that the principal hordes will be dispersed within a reasonable period of time.

As regards the financial aspect, for the first four months of its existence (March 1 to June 30, 1932) the receipts and expenditures of Manchukuo were 9,300,000 yuan and 9,100,000 yuan respectively, showing a credit balance of 200,000 yuan. The budget for the fiscal year, July 1, 1932, to June 30, 1933, shows an income of 101,000,000 yuan and an expenditure of 113,000,000 yuan; while this infers a deficit of 12,000,000 yuan, the budget allows for an emergency reserve fund of 15,000,000 yuan, so that the situation is very satisfactory. The Central Bank has sufficient capital, has maintained its paper currency at par and has stabilized the currency, the circulation of which is very

normal. It may be remarked that this shows a signal contrast to the actual state of things under the Chang dynasty. Having an excess of exports, Manchukuo imports a large amount of silver, so that it can easily maintain the value of its currency.

The Japanese Government prefer not to dwell on the gratuitous suppositions contained in the Report, to the effect that all political and administrative power in Manchukuo is in the hands of Japanese officials and advisers. These allegations can certainly not command the attention of the League of Nations. There are, and there have been, numerous States, universally acknowledged to be independent, which employ the services of many officials of one or more foreign nationalities, and others which have foreign troops stationed in their territory. The members of the League have only recently admitted that the presence of such foreign troops is no obstacle to the admission of a State as a member of the society.

The prospects of Manchukuo, the Japanese Government consider, are brilliant. With a great extent of territory and a large population, it has the further advantage of possessing natural frontiers. Its government have spontaneously declared that they intend to respect all international engagements made by China, so far as they are applicable to Manchuria, and that they will faithfully observe the principles of the open door and equal opportunity. They entertain no anti-foreign sentiments. There is no Communist peril, such as exists in China. Manchukuo is still in its infancy, but would it not have been an act of justice on the part of the Commission, who have shown themselves, in spite of all discouragements, so sympathetic toward China, to exhibit some degree of patience with a State scarcely six months old?

The difficulty mentioned in the Report, of defining the precise relations between Japan and Manchukuo, disappears, in the light of the Protocol of Sept. 15, 1932, which clearly defines the position. Nothing in this Protocol nor in the acts of Japan in cooperating with the new Government is inconsistent with any of the public engagements of this country. By the Nine-Power Treaty of Washington she joined in an undertaking to respect the sovereignty and the territorial and administrative integrity of China. That undertaking was never intended to deprive the people of China of the right of self-determination. From this it necessarily follows that signatories cannot be disabled from recognizing such a fait accompli, as required by the necessities of international intercourse. Again, Article X of the Covenant of the League of Nations is an engagement to respect and preserve the territorial integrity of members of the League "as against external aggressions." But if it is by internal developments that the territorial integrity of a member is impaired, there is nothing in the Covenant to interfere with the right and duty of members to recognize that impairment. To hold otherwise would be to deny the basis on which



many European and most American States subsist.

#### CHAPTER V—CONCLUSIONS

The following positions have now been advanced:

(1) That China has, since the Revolution of 1911, fallen into a condition of confusion bordering upon anarchy, and remains in the same condition at the present moment; that so long as such a state of affairs persists China may properly be considered as in a condition of national disintegration, and that at least under present circumstances it is entirely impossible to tell when China may come to have a strong and permanent central government, even if we grant the ultimate possibility of that event.

(2) That because of the fact that such a state of affairs prevails in China, foreign lives and property cannot be afforded adequate protection, and that especially in recent years the situation has been aggravated as a result of the intensification of internal conflict and the operation of the so-called "revolutionary" foreign policy of the Kuomintang directed against foreign powers.

(3) That consequently foreign powers have continued to exercise exceptional powers and privileges in China of a character now without parallel elsewhere in the world, such as extraterritorial jurisdiction, settlements and concessions, the maintenance of garrisons and the permanent stationing of warships in inland waters.

(4) That while all foreign powers having interests in China have suffered from the anarchical condition and the anti-foreign policy of China, Japan has suffered by far the most severely.

(5) That Japan stands in the most intimate relation, geographically and historically, to Manchuria; that she possesses in that region important treaty rights, besides vast economic interests, while great numbers of her people are settled there; that, moreover, the question of her own national security makes Japan vitally interested in Manchuria both from a political and, in fine, strategic point of view; that Japan's position in Manchuria is an altogether exceptional and special one, unparalleled in other parts of the world.

(6) That of late years the former Manchurian authorities resorted to various intrigues with a view to undermining this special position, and that after the rapprochement of General Chang Hsueh-liang with the National Government the encroachments of the Manchurian authorities upon the rights and interests of Japan, despite Japan's earnest efforts to ameliorate the situation, became increasingly frequent and flagrant, producing an alarming state of tension.

(7) That it was in this strained atmosphere that the event of Sept. 18 occurred; that none of the measures taken by the Japanese Army at the time of the incident, or subsequently exceeded the limitation of the right of self-defense; and that Japan must on any impartial consideration be pronounced to have

done precisely what any power would have done in similar circumstances.

(8) That Manchuria has always occupied a separate position, historically as well as geographically, in relation to China proper, and that its inhabitants bitterly resented the tyrannous rule of the Changs and opposed the latter's policy which dragged Manchuria into the civil turmoil of China proper; that from this geographic and historical circumstance, coupled with the popular opposition to the Chang family, there sprang the movement known as "Preserve the Frontiers and Give Us Peace"; that the foundation of Manchukuo was accomplished by the spontaneous action of the Manchurians, with this movement, coupled with the Manchu restoration movement as its mainspring; that Manchukuo is making steady progress, guided by sound policy, and has a highly promising future before it; and finally, that the attitude of Japan toward the establishment of Manchukuo and her eventual formal recognition of that State do not violate any international engagement whatever.

The fact must be thrown into relief that the Chinese problem and especially the Manchurian problem, are characterized by exceptional complexity and by abnormal features, which render it difficult to apply the formulae commonly employed in dealing with international questions under ordinary circumstances. Nor can the procedure employed in handling such an abnormal question, nor any solution that may eventually be reached, establish precedents for ordinary cases of international dispute. To cite the Report: "This is not a case in which one country has declared war on another country without previously exhausting the opportunities for conciliation provided in the Covenant of the League of Nations. Neither is it a simple case of the violation of the frontier of one country by the armed forces of a neighboring country, because in Manchuria there are many features without an exact parallel in other parts of the world." (p. 129).

On the basis of this fundamental position, a few remarks may be made on some of the points contained in Chapters IX and X of the Report.

Respecting the solution of the restoration of the *status quo ante*, as calculated merely to invite a repetition of the difficulty, the Report, nevertheless, considers the maintenance and recognition of the present régime an equally unsatisfactory solution. The Japanese Government, on the contrary, are firmly of the opinion that such a solution would contravene none of the principles of international obligation, would satisfy the aspirations of the Manchurians, and would probably come to be realized as the only satisfactory basis of stable relations by China herself. The dissolution of the new State, which is making rapid and healthy progress, or even its international isolation, can never be a course adapted to "the realities of the situation," to use the language of the Report.

Japan cannot afford to leave her relations with Manchukuo in a state of in-

stability. She accordingly considers that the general recognition of Manchukuo, and a general cooperation in its development, are the only means of stabilizing conditions in Manchuria and of bringing peace to the Far East. It is believed that any other country placed in Japan's position would have come to the same conclusion, and followed the same course as herself.

It was for these reasons that her government signed the Protocol of Sept. 15, which is based upon the above essential conditions.

A foundation has thus been laid for the protection of Japanese rights and interests, for the preservation of the territorial integrity of Manchukuo, and for the assurance of Manchurian safety against external and internal menaces.

The Report, in a striking passage, alludes to the salient features of the situation, that the "position is not static." The "process of evolution" and the fact that "events \* \* \* are still developing from day to day" (p. 132) indicate that it is the function of the League Council to take account of these developments. In studying the Report with due regard to the view thus expressed by the Commission, the Council must necessarily desire to have full information regarding current events (which in point of fact will be found to exhibit continued confusion in China proper and steady progress on the part of Manchukuo). Such information the Japanese Government are always ready to supply within the limits of their power.

As regards certain practical suggestions which are put forward in Chapter X, the remark of the Report that "it is not the function of the Commission to submit directly to the governments of China and Japan recommendations for the solution of the present dispute," is approved as a proper one, in view of the Commission's terms of reference. It is clear that the suggestions are merely intended as an illustration of one way in which the general principles advanced in Chapter IX might be applied. Besides this, it is apparent from the manner in which the Report deals with the possible eventuality of the early recognition of Manchukuo by Japan, that its authors considered that in such a case the importance of their suggestions would be considerably diminished, for they make only the vague observation that they "do not think their work would thereby have been rendered valueless," and that its suggestions might still be "helpful." On this view of the matter the following remarks may be ventured:

(a) As we shall see, Principle 10 laid down in Chapter IX of the Report would be liable to result in an international control of China proper. In the same way, the present suggestions would amount in practice to a disguised international control of Manchuria, and could not be acceptable either to Manchukuo or to Japan.

(b) They appear also to be too refined and intricate, and not adaptable to the realities of the Far East. Such a plan

as is advanced by the Commission calls for the minimum requirement that the different parties shall each possess the *sine qua non* of a strong stable government. To attempt to apply these suggestions to the solution of the Manchurian question, which is one of unprecedented complexity, and one in which one party does not possess a strong and reliable central government, is to make confusion worse confounded.

(c) Nor is it considered practical to demilitarize Manchuria, and maintain peace and order by an international gendarmerie.

It is questionable whether even in Europe order could possibly be maintained throughout so vast a territory by such a system. It could never satisfy the Manchurians, and it would be a source of great anxiety to the Japanese Government, as it would foment unrest and disturbances in Manchuria, which is exactly what Japan desires to avoid. It would make matters worse than the restoration of the *status quo ante* which is rejected by the Report itself.

So much for the concrete suggestions of Chapter X. As regards the more abstract principles of Chapter IX, on which these tentative suggestions are based, certain of these, to which Japan has no fundamental objection, have found concrete application in the Protocol signed by Japan and Manchukuo. But in any view of the matter, it follows from the tenth and last of these principles that the other (and especially those numbered 4 to 9 inclusive) cannot be applied "without a strong central government in China"; and therefore there can be no question of their application as long as the present anarchical state of things persists. Nor is any such strong central government at all likely to be formed without international cooperation, which is scarcely conceivable (apart from technical assistance) without some form of international control. In any case, no such reconstruction of China could be effected without a long delay which it is impossible for Japan to contemplate.

Any scheme which would tend to destroy that condition of peace and order which is now in process of restoration will so irresistibly usher in a new era of disputes and difficulties. Would it not then be better statesmanship to work at least for the stabilization of conditions in Manchuria? Should not the world, which has manifested so much patience and sympathy for twenty years in the case of China, begin to entertain sentiments of understanding and hope concerning the new State of Manchukuo? The settlement of the Manchurian question will pave the way for the settlement of the far greater question of China. It can hardly be doubtful that the advent of peace and a good and efficient administration in Manchuria will set an example for China's imitation and divert her domestic and foreign policies into sane and moderate channels, not only bringing happiness to the Chinese people but allowing other nations to share in the resultant benefit.